MELEWAR INDUSTRIAL GROUP BERHAD

Reg. No.: 196901000102 (8444-W)

ANNUAL REPORT 2019

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FORM OF PROXY

Notice of Fiftieth Annual General Meeting

NOTICE IS HEREBY GIVEN that the **50TH ANNUAL GENERAL MEETING** of the Company will be held at **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Friday, 29 November 2019 at 11.30 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS	**Resolution**
1. To receive the Audited Financial Statements for the year ended 30 June 2019 together with the Reports of the Directors and the Auditors thereon. ***[Please refer to Explanatory Note A]***	
2. To approve the payment of Directors' fees amounting to RM320,400.00 for the period from 1 January 2020 to 31 December 2020 to be payable quarterly in arrears to the Non-Executive Directors of the Company.	**1**
3. To approve an amount of up to RM115,000.00 as benefits payable to the Non-Executive Directors of the Company for the period from 1 December 2019 until the conclusion of the next Annual General Meeting ("AGM") of the Company. ***[Please refer to Explanatory Note B]***	**2**
4. To re-elect the following Director of the Company who is retiring in accordance with Article 113(1) of the Company's Articles of Association and who, being eligible, offer himself for re-election:	
i) Azlan bin Abdullah	**3**
5. To re-elect the following Directors of the Company who are retiring in accordance with Article 120 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:	
i) Datin Seri Raihanah Begum binti Abdul Rahman	**4**
ii) Kwo Shih Kang	**5**
iii) Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram	**6**
6. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	**7**
AS SPECIAL BUSINESS	
7. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-	
(a) Proposed Continuation in Office as an Independent Non-Executive Director in accordance with Practice 4.2 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017")	**8**
"THAT approval be and is hereby given for En Shazal Yusuf bin Mohamed Zain, who will have served as an Independent Non-Executive Director of the Company for a cumulative term of ten (10) years on 30 May 2020, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company." ***[Please refer to Explanatory Note C]***	

(b) Proposed Renewal of Share Buy-Back Authority **9**

"THAT subject to compliance with Section 127 of the Companies Act 2016 ("the Act"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such amount of shares in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time-to-time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company and the maximum funds to be allocated for the Proposed Renewal of Share Buy-Back Authority shall not exceed the retained profits of the Company available at the time of the intended purchase.

AND THAT such authority shall commence immediately upon passing of this Ordinary Resolution and will expire at the conclusion of the next AGM of the Company unless earlier revoked or varied by Ordinary Resolution of shareholders of the Company in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held whichever is earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date.

AND THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Authority and further THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the shares so purchased as treasury shares or cancel them or both."

(c) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") **10**

"THAT the mandate granted by the shareholders of the Company on 29 November 2018 pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Securities, authorising the Company and its subsidiaries ("the MIG Group") to enter into the RRPTs which are necessary for the MIG Group's day-to-day operations as set out in Sections 3.3(A) and (B) of Part B of the Circular to Shareholders dated 31 October 2019 ("the Circular") with the related parties mentioned therein, be and are hereby renewed, provided that:-

(a) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders of the Company; and

(b) the transactions are made at arm's length and on normal commercial terms.

Notice of Fiftieth Annual General Meeting
(continued)

AND THAT, authority conferred by such renewed and granted mandate shall continue to be in force (unless revoked or varied by the Company in general meeting) until:

(a) the conclusion of the next AGM of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at that meeting or Extraordinary General Meeting whereby the authority is renewed; or

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Act but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earliest.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

(d) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act **11**

"THAT, subject always to the Act, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company at any time until the conclusion of the next AGM, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued."

8. To consider and, if thought fit, to pass the following resolution as Special Resolution:-

(a) Proposed Adoption of new Constitution of the Company ("Proposed Adoption") **Special Resolution 1**

"THAT the Company's existing Memorandum and Articles of Association be deleted in its entirety and that the new Constitution as set out in the Circular to Shareholders dated 31 October 2019 be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption."

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
Company Secretary

Kuala Lumpur
31 October 2019

NOTES:-

1. Applicable to shares held through a nominee account.

2. A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint more than one (1) proxy to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.

3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.

4. Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.

6. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 11.05, 11th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

7. Any alteration in the form of proxy must be initialled.

8. Form of Proxy sent through facsimile transmission shall not be accepted.

9. For the purpose of determining a member who shall be entitled to attend this 50th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 25 November 2019. Only a depositor whose name appears on the Record of Depositors as at 25 November 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

10. Explanatory Notes to Ordinary Business:

(A) Audited Financial Statements

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.

(B) Benefits Payable to Non-Executive Directors (Ordinary Resolution 2)

Section 230(1) of the Act provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The proposed Ordinary Resolution 2 is to seek shareholders' approval for payment of Directors' Benefits (excluding Directors' fees) to the Non-Executive Directors for the period from 1 December 2019 until the conclusion of the next AGM to be held in 2020 of the Company.

The benefits comprises the meeting allowances, benefits in kind and other emoluments payable to the Non-Executive Directors of the Company.

In determining the estimated total amount of remuneration (excluding directors' fees) for the Non-Executive Directors of the Company, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Non-Executive Directors involved in these meetings.

The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the directors' remuneration (excluding directors' fees) as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the relevant period.

Notice of Fiftieth Annual General Meeting
(continued)

11. Explanatory Notes to Special Business:

(C) Proposed Continuation in Office as an Independent Non-Executive Director in accordance with Practice 4.2 of the MCCG 2017 (Ordinary Resolution 8)

In line with the Practice 4.2 of the MCCG 2017, the Proposed Ordinary Resolution 8, if passed, will enable En Shazal Yusuf bin Mohamed Zain, who will have served as an Independent Non-Executive Director of the Company for a cumulative term of ten (10) years on 30 May 2020, to continue to act as an Independent Non-Executive Director of the Company.

Both the Nomination and Remuneration Committee and the Board have assessed the independence of En Shazal Yusuf bin Mohamed Zain and recommended him to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM based on the following justifications:

(i) The Group has benefited from the long serving Independent Non-Executive Director, who possessed detailed knowledge of the Group's business, standard operating procedures, internal controls and risks profile and has proven commitment, experience, competence and wisdom to effectively advise the Management from time to time.
(ii) He is independent in character and judgement, independent of management and free from any relationship or circumstances which are likely to affect or could affect his judgement or making of decisions in the best interest of the Company.
(iii) He had fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities, and thus he would be able to function as check and balance and bring an element of objectivity to the Board.
(iv) He has vast experience in banking and finance industry enabling him to provide the Board with a diverse set of experience, expertise and independent judgement.
(v) He had devoted sufficient time and attention to his professional obligations for an informed and balanced decision making.
(vi) He had consistently challenged management in an effective and constructive manner and provided an independent voice on the Board.
(vii) He had also exercised his due care and diligence during his tenure as an Independent Non-Executive Director of the Company and had carried out his professional duties in the best interest of the Company and shareholders.

The profile of En Shazal Yusuf bin Mohamed Zain is set out in the Directors' Profile on page 40 of the Annual Report.

(D) Proposed Renewal of Share Buy-Back Authority (Ordinary Resolution 9)

The Proposed Ordinary Resolution 9, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(E) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Ordinary Resolution 10)

The Proposed Ordinary Resolution 10, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

(F) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act (Ordinary Resolution 11)

The Ordinary Resolution proposed under Resolution 11 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Act. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.

The Proposed Resolution 11, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the total number of issued shares of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, 133,894,895 new shares in the Company were issued pursuant to the mandate granted to the Directors at the 49th AGM held on 29 November 2018 and which will lapse at the conclusion of the 50th AGM to be held on 29 November 2019.

(G) Proposed Adoption of new Constitution of the Company (Special Resolution 1)

The proposed Special Resolution 1, if passed, shall streamline the Constitution of the Company to be aligned with the new Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Listing Requirements of Bursa Malaysia Securities Berhad, and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout; details of which are as set out in the Circular to Shareholders dated 31 October 2019.

12. Poll Voting

All the Resolutions mentioned above will be put to vote by Poll.

The detailed information on Special Business of Agenda 7 and Agenda 8 except for Ordinary Resolution 8 and Ordinary Resolution 11 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2019 which is despatched together with the Company's 2019 Annual Report.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election or re-appointment in Agenda 4 and 5 of the Notice of the 50th AGM of the Company are set out in the Directors' Profile on pages 37 to 43 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 51 of this Annual Report.

The detailed information relating to general mandate for issue of securities pursuant to Paragraph 6.03(3) of the Listing Requirements of Bursa Securities are set out under Note F of the Notice of the 50th AGM of the Company.

On behalf of the Board of Directors, I present the Annual Report of Melewar Industrial Group Berhad and its group of companies ("the Group" or "MIG") for the financial year ended 30 June 2019 ("FY2019").

TUNKU DATO' YAACOB KHYRA
Executive Chairman

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The Group's principal activity is in the mid-stream sector of the steel industry, focussing mainly on the manufacturing of Cold Rolled Coil steel sheets and Steel Tubes and Pipes through its 74.13% interest in its public listed subsidiary, Mycron Steel Berhad.

The other businesses of the Group, are conducted through its 100% owned subsidiaries, Melewar Integrated Engineering Sdn Bhd ("MIE") who is involved in engineering services and Ausgard Quick Assembly Systems Sdn Bhd ("AQAS") who is in the business of supplying and constructing of quick assembly homes to niche markets.

STEEL DIVISION

Mycron Steel Berhad encompasses the combined operations of two subsidiaries, namely Mycron Steel CRC Sdn Bhd ("MCRC") and Melewar Steel Tube Sdn Bhd ("MST"). MCRC is involved in the mid-stream sector of the steel industry, in the manufacture of Cold Rolled Coil ("CRC") steel sheets, while MST is involved in the down-stream sector, in the manufacture of Steel Tubes and Pipes ("Steel Tube").

CRC OPERATIONS REVIEW

For FY2019, the CRC Division achieved sales revenue of RM463 million, which was RM84 million lower than the preceding year. The decline is mainly attributable to unfair competition caused by diversion of cheap international CRC, into vulnerable and exposed markets such as Malaysia, due to the rise in trade protectionism in the West. The constant dumping of CRC, into the domestic steel industry, throughout FY2019, has significantly impaired and injured domestic CRC manufacturers, resulting in lower margins, and lower sales volume.

The CRC segment registered a pre-tax loss of RM16.5 million for the financial year.

Exhibit 1: CRC Financial Performance by Quarter *Total Capacity: 260,000 t/y*

Mycron CRC Operations Financial Year ended 30 June	FY2019					FY2018
	Q1	Q2	Q3	Q4	Total	Total
Sales Revenue (RM mil)	124.2	132.1	108.9	97.8	463.0	546.9
Sales Tonnage (tonnes)	40,475	43,453	36,816	33,839	154,583	184,437
Capacity Utilisation (% max)	58%	66%	54%	52%	58%	73%
Profit/(Loss) Before Tax (RM mil)	(2.85)	(6.12)	(6.46)	(1.10)	(16.53)	6.55

CRC's revenue for the first quarter ("Q1") was lower than the preceding quarter, with sales tonnage dipping by 11%. As a result, the segment registered a pre-tax loss of RM2.85 million for the quarter.

In the second quarter ("Q2"), sales revenue and tonnage increased by 6.4% and 7.4% respectively. Despite the higher revenue and sales volume, CRC pre-tax loss for the quarter, increased to RM6.12 million, due to margin erosion caused by unfair competition, from foreign CRC producers. The continued thin-to-negative spread, between the cost of CRC's core raw material, Hot Rolled Coil ("HRC") steel sheets, and imported CRC finished goods, severely affected domestic CRC manufacturers' sales and margins.

These negative margin spreads (i.e. where the price of CRC finished goods, is actually cheaper, than the cost of its core HRC raw material) are caused by direct subsidies (disguised as tax rebates), by as much as 16%, given by the China governments, for exported Chinese CRC. These subsidised Chinese CRC enter Vietnam, and are physically swapped with Vietnamese made CRC, which are exported to Malaysia. The physical CRC entering Malaysia, may not be Chinese made, but the Chinese subsidies, is allowing Vietnamese CRC, to be shipped to Malaysia, at subsidised prices.

Because of this "Subsidy Pass Through" practice, the US had imposed a punitive 400% duty on Vietnamese steel earlier this year. The "Subsidy Pass Through" is obvious, and the proactive US government has acted swiftly. Malaysia however, still maintains a tiny 2% duty on Vietnamese steel entering Malaysia, despite repeated call-to-action by the industry. Nevertheless, Mycron Steel Berhad is confident that the nation's policies, will eventually be in-tune with that of the industry, and that there is hope for the future of steel in Malaysia.

The third quarter ("Q3") was similar to Q2, as escalation of the trade war between China and the US, continue to disrupt global commodity markets. The seasonal Chinese New Year holidays, during Q3 resulted in the CRC Division, posting lower revenue, lower sales tonnage, and pre-tax losses of RM6.46 million for the quarter.

In the fourth quarter ("Q4"), sales tonnage dropped by a further 8.1% to 33,839 tonnes, whilst sales revenue dropped by 10.2% to RM97.8 million. However, the segment achieved higher spread and margins for the quarter, which resulted in an improvement over the previous quarter, reducing the pre-tax loss to RM1.1 million.

STEEL TUBE OPERATIONS REVIEW

The Steel Tube Division's revenue decreased by 5.3% to RM 260 million for FY2019, due to slowing demand for steel pipes, caused by the soft domestic economy, halted mega projects, and the significant slowdown in the construction sector. The rising cost of Steel Tube's key raw material (i.e. HRC) during the second half of FY2019, due to the spike in iron ore prices, as a result of the Vale Tailings Dam Disaster, put further pressure on margins.

The tube segment registered a lower pre-tax profit of RM7.24 million for FY2019 compared to the preceding financial year.

Exhibit 2: Steel Tube Performance by Quarter *Total Capacity: 148,800 t/y*

Melewar Steel Tube Operations Financial Year ended 30 June	FY2019					FY2018
	Q1	Q2	Q3	Q4	Total	Total
Sales Revenue (RM mil)	77.8	63.8	56.6	61.5	259.7	274.2
Sales Tonnage (tonnes)	24,462	20,570	19,285	20,082	84,399	90,823
Capacity Utilisation (% max)	56%	48%	43%	44%	47%	52%
Capacity Utilisation* (% max)	58%	51%	47%	47%	51%	55%
Profit (Loss) Before Tax (RM mil)	4.91	1.15	0.20	0.98	7.24	15.39

* *Inclusive of tolling services*

For the first financial quarter (Q1), the Steel Tube segment was relatively stable. Sales tonnage was up by 5.0% to 24,462 tonnes, compared to the previous quarter's 23,289 tonnes. Sales revenue also increased by 6.0% to RM77.8 million (Q4 2018: RM73.4 million). Profit Before Tax ("PBT") for the quarter increased by 78.5% to RM4.91 million (Q4 2018: RM2.75 million), mainly attributed to higher deliveries caused by lower sales tonnage for the previous quarter, due to the Hari Raya Festive season in June 2018.

For Q2, the Steel Tube division recorded a significant drop in sales tonnage, revenue, and profits. Sentiment in the pipe and tube sector has been fragile, since the Malaysian General Election, as domestic steel demand and consumption significantly weakened, due to withheld government project payments. This non-payment to project contractors caused strain to the entire steel value chain, as contractors defaulted on payments, due to steel stockists and suppliers. When the steel stockists' cash flows are affected, they naturally hold back placing consistent orders for Steel Tubes.

The Steel Tube segment registered a sluggish Q3 with decline in sales tonnage, revenue, and profits. The weaker performance was due to margin squeeze, as a result of rising cost of input materials, which were affected by the Vale Dam Disaster's effect on Iron Ore prices. At the same time, the annual Chinese New Year celebrations during the month of January and February, resulted in shorter working periods during the quarter.

The results, showed slight improvement with sales revenue increasing marginally by 8.7% to RM61.5 million compared to RM56.6 million in the previous quarter. Q4 also recorded a higher sales tonnage and pre-tax profit of RM0.98 million. However, sales did not increase substantially due to weak demand and the Hari Raya festive season in June.

ENGINEERING DIVISION

The engineering division, MIE, focus remained on the two major Engineering, Procurement and Construction ("EPC") projects during the financial year ending 30 June 2019. MIE was able to successfully conclude its project at Tanjung Bin Power Sdn Bhd for the upgrade of the coal handling system at their Tanjung Bin coal fired power station by meeting all performance criteria and concluding its warranty period without incident. The project has been fully handed over and a commercial settlement was reached between the parties for extra cost and delays incurred for which no Liquidated Ascertained Damages ("LADs") were claimed.

Terengganu Silica Project for silica sand handling and ship loading has been put into operation but yet to be handed over.

The engineering division will not undertake any further EPC contracts due to the disproportional risk versus possible margins due to intense competition. The engineering division will focus on identifying investment and project development opportunities nationally and internationally, engineering and consultancy for the Group and third parties.

AQAS has successfully commissioned and delivered seven buildings during its pre-commercialisation phase from 2012 to date. During this period, these buildings have gone through rigorous testing and improvements to ensure a build quality that is robust and commercially viable. In fiscal 2019, AQAS is ready to enter into the commercial phase of its operations. AQAS is in negotiations with property developers to supply its selection of buildings.

LONG TERM OUTLOOK

The Steel Division has been and continues to be the major contributor to the Group in terms of profit.

As reported by Mycron Steel Berhad that during the financial year under review, the global and domestic steel industry environment proved to be extremely challenging, on the back of significant global and domestic economic headwinds, caused by the escalation of the trade war, between the two largest economies in the world.

Steel, a business which is sensitive to changing winds of economic growth, has been battered by weaker demand, rising costs of iron ore, and an oversupply of cheap subsidised Chinese steel.

The 25% steel tariff imposed by the US, which was subsequently followed by Europe's 25% steel tariff, have split the Western market, from the rest of the world, leaving Asia to face the glut of cheap subsidised Chinese made steel.

The Group's CRC subsidiary suffered losses, due to this trade diversion, of cheap CRC, which is dumped into the vulnerable Malaysian market. Malaysian CRC manufacturers have had to endure unfair competition, from subsidised foreign CRC producers.

The Group's Steel Tubes and Pipes subsidiary saw decline in sales tonnage, revenue, and profits for the year. Overall steel demand in Malaysia has been stifled by halted mega projects, and a significant slowdown in the property and construction sector.

The Malaysian Iron and Steel Industry experienced a turbulent year as a result of trade wars and decelerating global economic growth.

Asian steel surplus capacity diversions into Malaysia especially that of Chinese and Vietnamese origin, remain a major concern and threat to Malaysian CRC Producers.

Chairman's Statement
(continued)

Holistic development is crucial for the sustainability of the domestic steel industry value chain. To address the unfair competition and unjust operating environment from cheap imports, the Group has been actively engaging various government ministries by advocating reforms and developing the way forward for the industry by active participation in reshaping the National Iron and Steel Policy.

Mycron Steel Berhad is confident that new policies and measures will be implemented soon to protect domestic steel manufacturers and its workforce.

PROSPECTS FOR THE NEW FINANCIAL YEAR

The Group's outlook for the new financial year remains cautious due to global economic headwinds and downward pressure on the domestic economy. Conditions for both the business and economic prospects are still surrounded by external uncertainties such as the ongoing Sino-US trade war and its reverberating effect on trade and services, slowing global economic growth and the health of the US and China economies.

Going forward, the Group's Steel Tube and CRC segment are developing export markets to cover the shortfall in domestic sales. Mycron Steel Berhad has made headway and is looking to increase its export in the new financial year. The implementation and execution of the new National Iron and Steel Policy will be a game changer for the domestic steel industry.

The Group expects that its financial performance will improve in the new financial year based on an anticipated improved domestic policy landscape and direction with a stabilised external environment.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management team and staff for their commitment, dedication, and contributions to the Group. To our valued business associates, customers, suppliers and shareholders; thank you for your continued invaluable support, confidence and trust you have placed in us.

Finally, I would like to thank my fellow Board members, for their stewardship and contributions to the Group.

Management Discussion & Analysis Statement

This Statement provides the management's analytical overview of the Group's operations and financial performance for the financial year ended ("FYE") 30 June 2019 in supplement of other statements contained in this annual report such as the Chairman's statement, the Statement on Risk Management and Internal Controls, and the audited Financial Statements. Analytical disclosures made herein are based on available management information which may not have been specifically audited, and are made to the extent that these do not compromise competitively sensitive information. This section may contain opinions, judgement and forward-looking views, and as such readers' discretion is advised.

OVERVIEW

The Group's net profit for the current financial year at RM27.6 million (2018: RM4 million) is mainly attributed to the bumper net-profit of its wholly owned Engineering subsidiary at RM42 million (2018: net loss of RM3.4 million), as its 74.1% held steel business via listed Mycron Steel Berhad faltered with a net loss of RM12 million (2018: net profit of RM16 million).

The Engineering subsidiary's bumper performance for the current financial year is attributed to its write-back of prior years' loss provisions related to an onerous project (see Note 17), and is an one-off-event. Besides working on completing another onerous project, the Engineering subsidiary did not have any new work-contract engagement over the current financial year as operations tapped down. As for the indirectly held Steel subsidiaries, the domestic market which they served was at its weakest in FY 2019 compared to the last five years. The current financial year corresponded with a period of escalated trade-war between the world's top two economies, and the consequential global fallout. In addition, the current financial year also corresponded with a period of 'trial and tribulation' for a new government after the 14th General Election in May 2018 – which revealed damaging past largesse; and ensuing fiscal tightening, purging of excesses, general inertia, uncertainties, and void of stimuli. Business sentiment and performance across the manufacturing sector dipped as reflected in the below-par declines in the Nikkei Malaysia Manufacturing Purchasing Managers' Index, as well as in the Business Condition Index (published by the Malaysian Institute of Economic Research).

As such, despite the soft business environment, the Group's key financial indicators as outlined in Table 1 below recorded all-round improvements over the preceding financial year except for equity valuations.

		FYE 2019	FYE 2018
Profitability			
a	Operational Return on Average Capital Employed (EBIT/Ave Cap)	8.34%	7.71%
b	Return on Equity (Net Earnings/Ave Equity)	7.04%	-0.17%
Liquidity			
c	Current Ratio (Current Assets/Current Liabilities)	1.43	1.15
d	Interest Cover Ratio (EBITDA/Net Interest Expense)	10.68	5.50
Capital			
e	Debt to Equity Ratio (includes all interest bearing debt)	0.25	0.37
Value			
f	Net Tangible Asset per Share (RM/share)	1.03	1.29
g	Enterprise Value to Total Comprehensive Income Ratio	2.74	12.29

Table 1

Management Discussion & Analysis Statement (continued)

SEGMENTS' PERFORMANCE

As outlined in Table 2 below, the Engineering segment recorded a negligible external revenue of RM1.27 million reflective of its contracts' work progression in the current financial year, but with a hefty segment net profit of RM42 million. The Cold Rolled segment recorded a 16.2% drop in external revenue with a net loss of RM12.8 million (2018: net profit of RM10 million); whilst the Steel Tube segment recorded a 5.6% drop in external revenue with a much smaller net profit of RM10 million (2018: RM18.6 million). The ensuing paragraphs discuss the performance of the respective segments.

Key Business Segments

	Cold Rolled		Steel Tube		Engineering	
RM'million	FYE 2019	FYE 2018	FYE 2019	FYE 2018	FYE 2019	FYE 2018
External Revenue	434.79	519.15	257.23	272.39	1.27	24.14
Net Profit/(Loss)	(12.82)	10.34	10.05	18.60	43.09	(2.29)

Table 2

Cold Rolled Segment

The Group's Cold Rolled operation ranks second by market share in the domestic industry dominated by only a handful of four manufacturers. It sells mainly to domestic downstream manufacturers of pipe & tubes, galvanised & coated sheets, steel drums, electrical & electronic goods, automobile parts, and equipment fabrication. Around 5% to 7% of its Cold Rolled Coil ("CRC") output are sold to its sister company involved in the steel tube & pipe manufacturing whilst the balance are sold to external local downstream manufacturers whose end-products serve both the domestic and export markets.

The trade-war which started in March 2018 with the United States' tariffs on steel and aluminium escalated quickly with similar trade barriers in Europe and other parts against Chinese steel exports. The overnight rise in global steel trade protectionism had resulted in the narrowing of international price spreads between CRC and its precursor Hot Rolled Coil ("HRC") (see Chart 1), and the resulting dumping of Chinese CRC into markets impervious to the onslaught. The Cold Rolled subsidiary had reacted early with groundwork for safeguard and petition for anti-dumping investigation with the Ministry of International Trade and Industry (MITI) to address the external threat, but that was abruptly disrupted with the change in key ministers and office-bearers pursuant to the 14th general election. The CRC subsidiary spent the greater part of the current financial year connecting with new office-bearers and rebuilding the case for administrative review of existing tariffs and for expended anti-dumping duties on wider width CRCs to close-off loopholes. Effort on the aforementioned only begun to gain traction towards the 4th financial quarter with the authorities' announcement on the initiation of anti-dumping duty investigation (on larger width CRC) on 29 March 2019 coupled with the upward revision of anti-dumping duties on specific CRC exporters (of smaller width) from China, Korea, and Vietnam in May 2019. Whilst the aforementioned was deemed too little and too late (with certain millers), caution casted on wayward CRC imports from China begun to translate to slightly better sales numbers in the subsidiary towards the last few months in the 4th financial quarter. Consequently, the segment recorded a significantly lower pre-tax loss for the 4th quarter at around RM1.4 million to push the 9 months' pre-tax loss of RM11.2 million to RM12.8 million for the full financial year.

The new government's time restriction on the carrying forward period for unutilised tax losses and reinvestment allowance to 7 years, has limited the subsidiary's ability to recognise any deferred gain on its current period's tax losses considering its carrying unutilised tax losses from past periods. As a result, the CRC subsidiary's after-tax losses stood at around RM16.6 million for the current financial year. It's EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation) turned negative at around RM0.65 million for the current financial year (see Chart 2).

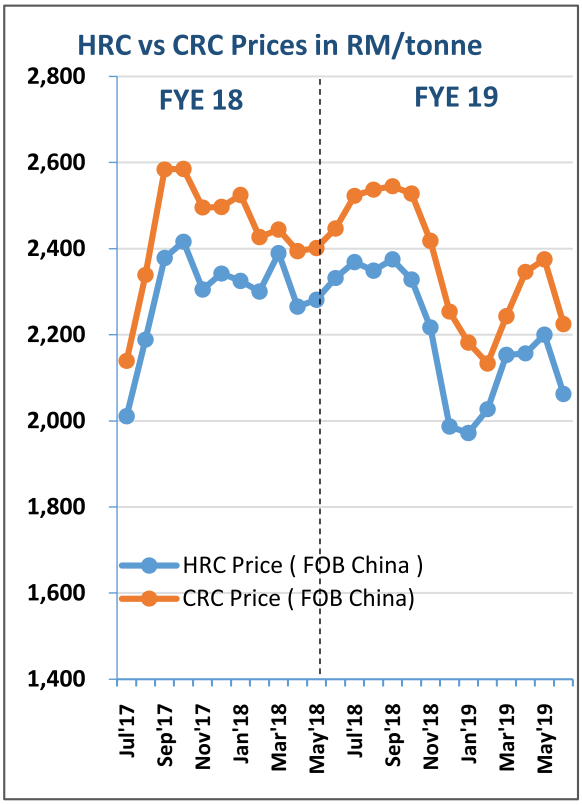

Chart 1

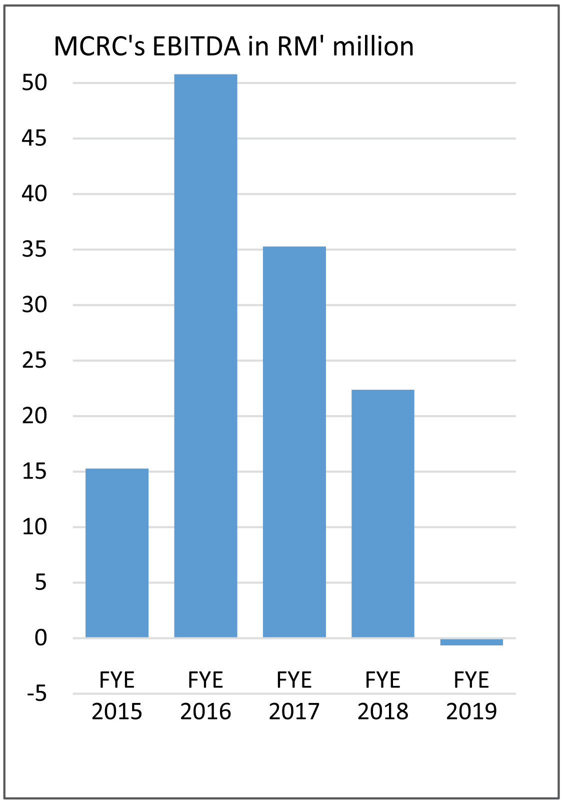

Chart 2

Steel Tube Segment

The Group's steel tube operation ranks second by market share in an industry dominated by top four manufacturers (with annual production volume exceeding 60,000 tonnes each) plus many more small scale producers (with annual production volume of 36,000 tonnes or less each) of limited product-range. The Group's Steel Tube segment sells to various downstream applications in steelwork fabrications & support, electric-conduits, fire-fighting systems, roofing & railings, furniture production, bike & bicycles production, and piping systems. For the financial year ended 2019, its export sales was around 7.2% (2018: 6.3%), with the balance destined for the domestic market.

HRC raw material prices declined sharply after the 1st financial quarter as regional demand weakened due to the rise in trade conflict and protectionism, despite the spike in iron ore prices (see Chart 3 below). Under such a scenario, manufacturers would likely face a margin squeeze as they would be holding higher cost raw HRC whilst their end-products adjust to lower selling prices in-line with buyers' expectations. As a result, the Steel Tube subsidiary's selling price spread against HRC cost charted a steep downward trajectory for 2nd and 3rd financial quarters with a rebound recorded in 4th financial quarter. The margin squeeze was also exacerbated by intense price undercutting in a very soft market attributed to the unfavourable external and domestic factors. As a result, the subsidiary recorded a four-years' low EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation) of around RM13.8 million (see Chart 4).

Management Discussion & Analysis Statement
(continued)

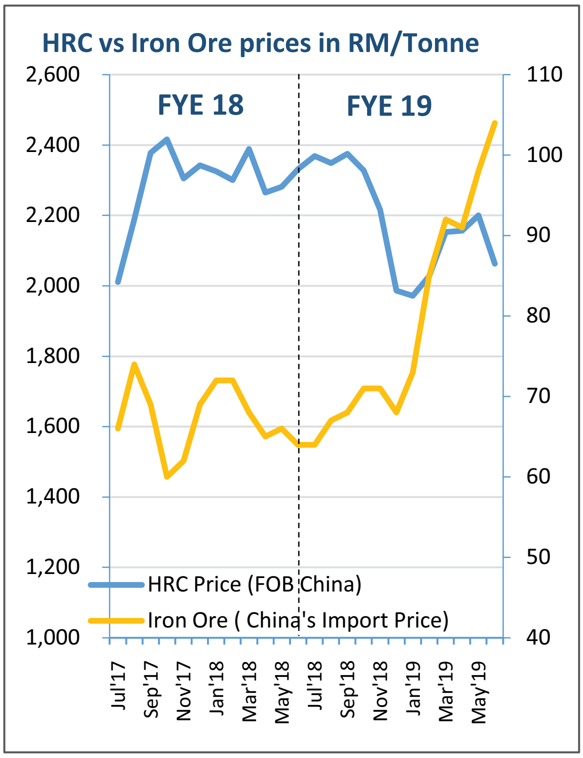

Chart 3

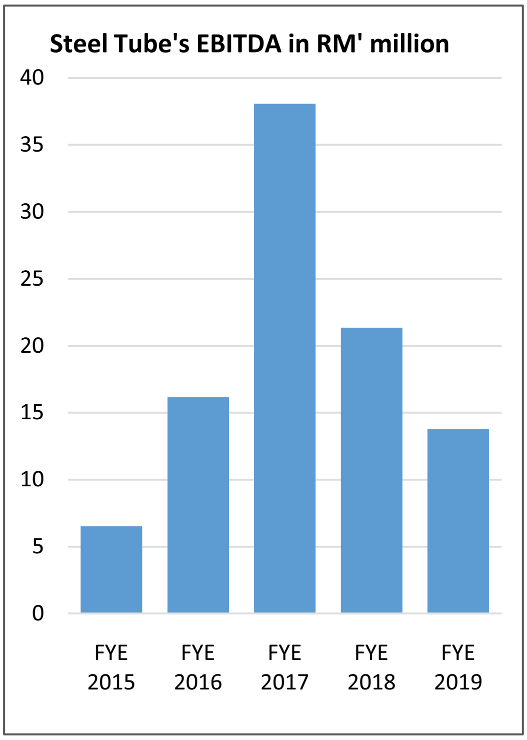

Chart 4

Engineering Segment

The Engineering segment is an aggregation of MIE and Ausgard operations (see Note 15), and only became material for segmental reporting in FY2016 after MIE had landed two substantial engineering construction contracts worth RM26 million in FY2015 and of RM83.9 million in FY2016 respectively. This segment is significant as it represents the Company's only core business aside from its investment holding in listed Mycron Steel Berhad (which anchors the Cold Rolled and Steel Tube operations).

The segment's business activity for the current financial year has been lacklustre as measured by the revenue recorded. Ausgard only completed and delivered one library unit, whilst MIE progressed very little on its last outstanding onerous construction contract (i.e. Project 2 from 95.5% completion in FYE18 to 97.7% in FYE19 as shown in Chart 5 below). The segment's bumper profit came in the 4th financial quarter with MIE's commercial settlement with the client on Project 1 (see Note 17(b)), resulting in write-backs of provisions totalling around RM50.1million. Its Project 2 faced technical complications and has resulted in additional cost/loss provision of RM4.3 million in the 3rd financial quarter. Project 2 still carries around RM1.7 million in loss provisions relating to Liquidated Ascertained Damages (LAD) and Defects Liability (DL) made in the preceding periods. Movement of these changes on the projects' cumulative losses are reflected in Chart 6 below.

No new contracts were incepted in the current financial year, nor any in the pipeline for the next financial year. The continuing relevance of the 'Engineering' as a reportable segment in the coming financial years is uncertain.

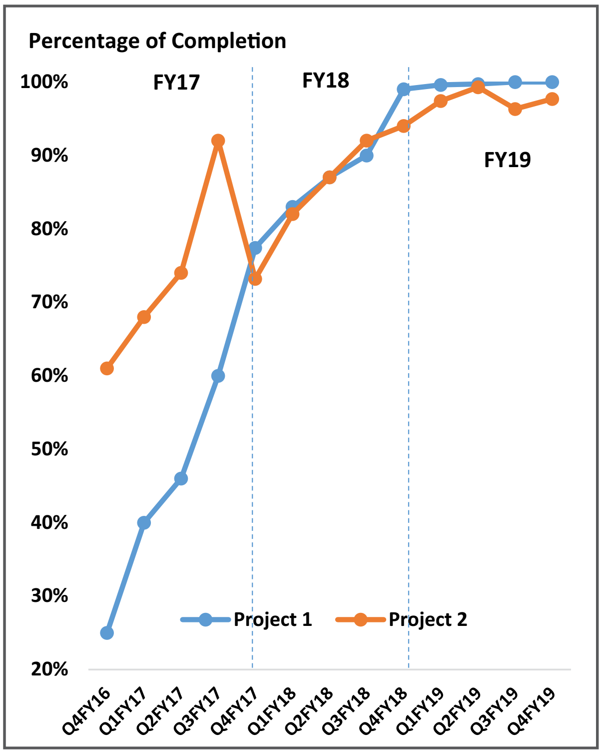

Chart 5

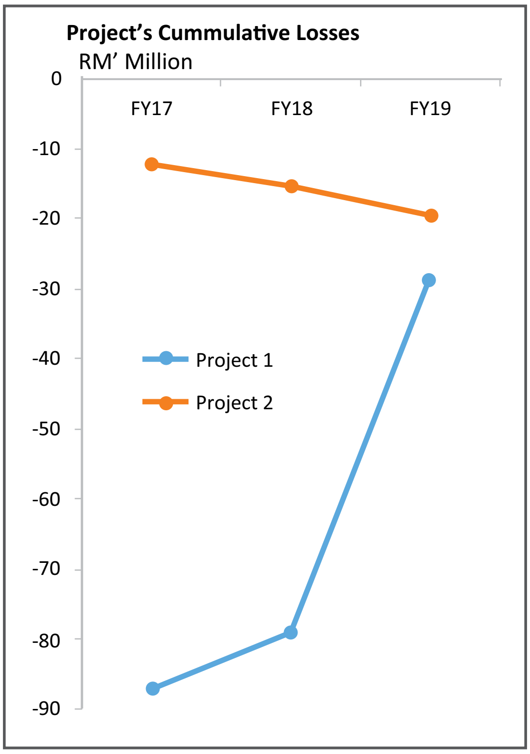

Chart 6

Consequently, the segment's performance ratios as outlined in Table 3 below (which are supplementary to the segment analyses disclosed in Note 31 of the financial statement) showed all around weaker performance for the steel but an improvement for the Engineering segment.

	Cold Rolled		Steel Tube		Engineering	
Segment's	FYE 2019	FYE 2018	FYE 2019	FYE 2018	FYE 2019	FYE 2018
Revenue/Assets Employed	1.0	1.1	1.3	1.5	0.2	2.5
EBIT/(LBIT)/Full Time Employee (RM'000/person)	(44.8)	70.8	78.8	136.7	3,580.9	26.0
Net Profit /(Loss)/Asset Employed (Sens on RM)	(3.0)	2.2	5.2	10.1	605.9	(23.3)
Assets/Total Assets	59.50%	60.96%	26.25%	23.75%	0.97%	1.27%

Table 3

CHALLENGES AHEAD

Outlook for the next financial year remains precarious even-though USA-China managed to strike a limited trade-truce towards mid-October 2019. This 'phase 1' trade-deal, which only halts further tariff increases but does not reverse past effected increases, is not expected to reverse the damage already done on global growth due to the prolonged trade-war and rise in trade-protectionism. That coupled with multiple destabilising geo-political threats add to business uncertainties and anxieties which would sap growth especially on emerging economies like Malaysia. The country's recently released 2020 budget outlined further increases in minimum wage and the removal of blanket fuel subsidy. This would add to the cost of doing business in the 2nd half of the next financial year, and does not bode well for the Group.

For the Steel segment, the silver-lining is with the country's announced revival of the revised Light Rail Transit Line 3, the East Coast Rail Line (ECRL), the Bandar Malaysia project, and the Rapid Transit System Link between Johor and Singapore. Whilst these projects may still take some gestation period to translate into better demand and sales of the Group's steel products, it adds vigour to else a stoic outlook for the infrastructure construction sector and its supply-chain of manufacturers/ traders. The mentioned mega projects coupled with the expected strong growth in foreign investments (due to capital and business relocation, and budget 2020's foreign investment incentives) should add vigour to the domestic economy, and may just provide the needed lift to the steel market for 2020.

For the Engineering segment, the outlook for the next financial year remains dim with likely muted performance. To contain further cost budget overrun (and loss escalation) for MIE's Project 2 which has been outstanding since 2015, efforts shall be stepped-up to attain contractual completion and to seek the release of LAD and DL provisions totalling around RM1.7 million in the next financial year.

Moving ahead, the Group aims to sustain its effort to develop and nurture existing and new investments, and build sustainable core business under the Company besides its holding of the listed steel arm.

Sustainability Statement

This Sustainability Statement is made in compliance with Bursa Malaysia's Listing Requirements as specified in Appendix 9C Paragraph 29, and Practice Note 9 Paragraph 6; and is been made for the first time by the Group for categorisation of "listed companies with market capitalisation below RM1 billion in relation to annual report issued for financial year after 31 December 2018." This Statement contains contextualised information which are integral to the overall understanding of the Group's corporate governance practices and as such should be read in conjunction with the Group's Corporate Governance Overview Statement; Statement on Risk Management and Internal Control; and the preceding financial year's General Statement of Sustainability. In the making of this Statement, the Group applied the principles and standard disclosures specified in the Sustainability Reporting Guide issued by Bursa Malaysia, and where required sought further guidance from the Global Reporting Initiatives ("GRI") standards issued by the Global Sustainability Standards Board.

A. OVERVIEW

The Group holds the view that the preservation of its economic existence is dependent on its long-term ability to provide value to customers whilst conserving the eco-social environment in-which it operates, and its ability to maintain a win-win co-existence with various stakeholders. Illustration 1 below summarises its view on the sustainability ecology's dynamics.

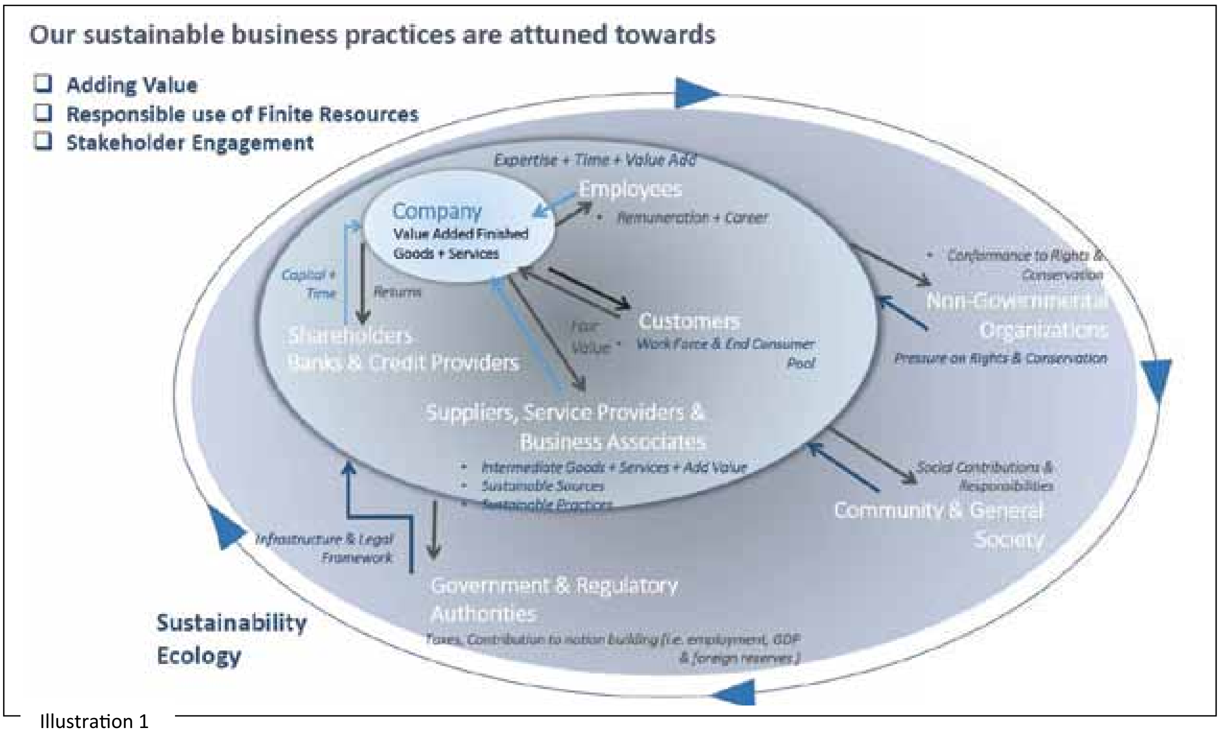

Illustration 1

Sustainability Statement
(continued)

B. GOVERNANCE: STRUCTURE, ROLES AND RESPONSIBILITIES

Sustainability effort in the Group extends to all subsidiary entities and business units, under a governance structure (as shown in Illustration 2 below) which is synonymous with its corporate governance structure under both listed entities in Melewar Industrial Group Berhad ("MIGB") and Mycron Steel Berhad ("MSB"). The Board is ultimately responsible for the Group's sustainability integration and compliance.

Illustration 2

Sustainability is an embedded component of the Group's corporate governance, and is driven from the top by the Board via a Risk and Sustainability Committee ("RSC") helmed by a Senior Independent Non-Executive Director.

The RSC plays an oversight role over both 'risk and sustainability management' undertaken by the Management. The Group's sustainability management is intertwined with its 'enterprise risk management' where principal risks and opportunities' identification, assessment and response extend to sustainability issues covering economic, environment, and social factors. The RSC convenes quarterly with the Group's executive management represented in an Executive Committee ("EXCO") helmed by its Chairman, to review principal risks and material sustainability matters along with internal audit findings. The Internal audit (outsourced to an independent 3rd party) also provide a level of assurance on the adequacy and compliance of the Group's sustainability framework, policies, and procedures. To ensure proper linkage between risk and sustainability management with the Group's financial performance and reporting, the Audit Committee also plays an integral role in the governance structure to address the aforementioned with the EXCO. The EXCO in-turn steers a whole range of strategic, business and organisational matters including "sustainability" with its subsidiaries.

The larger indirect subsidiaries (such as the steel operations) each has a Management Committee (MANCO), whilst the smaller subsidiaries are headed by a single individual. The MANCO or management individual in-turn drives frontline 'sustainability matters' and their day-to-day administration of sustainable business practices, in tandem with other strategic and operational undertakings. It is also at this level where the relevant sustainability Key Performance Indicators (KPIs) are measured, reported, and managed. The EXCO and the management convene monthly to deal with extensive strategic, management, and operational matters where 'sustainability' is an integrated and embedded component. In conjunction with each financial year-end reporting, every operation or functional head provides an internal sign-off with regards to its 'risk management and internal controls' adequacy assessment and compliance. With effect from the current financial year, this internal sign-off assurance also extends to 'sustainable business practises.' The Group's top-down governance structure not only provides a mechanism for two-ways communication and feedback throughout the hierarchy of the organisation, but also empowers each layer to engage stakeholders most relevant to its level in a manner which is coherent and aligned with its overall corporate and sustainability objectives.

C. FRAMEWORK

The Group's sustainability management framework – as shown in Illustration 3 below focuses on mitigating risks and taking advantage of opportunities on sustainability matters to further the achievement of its corporate and sustainability objectives.

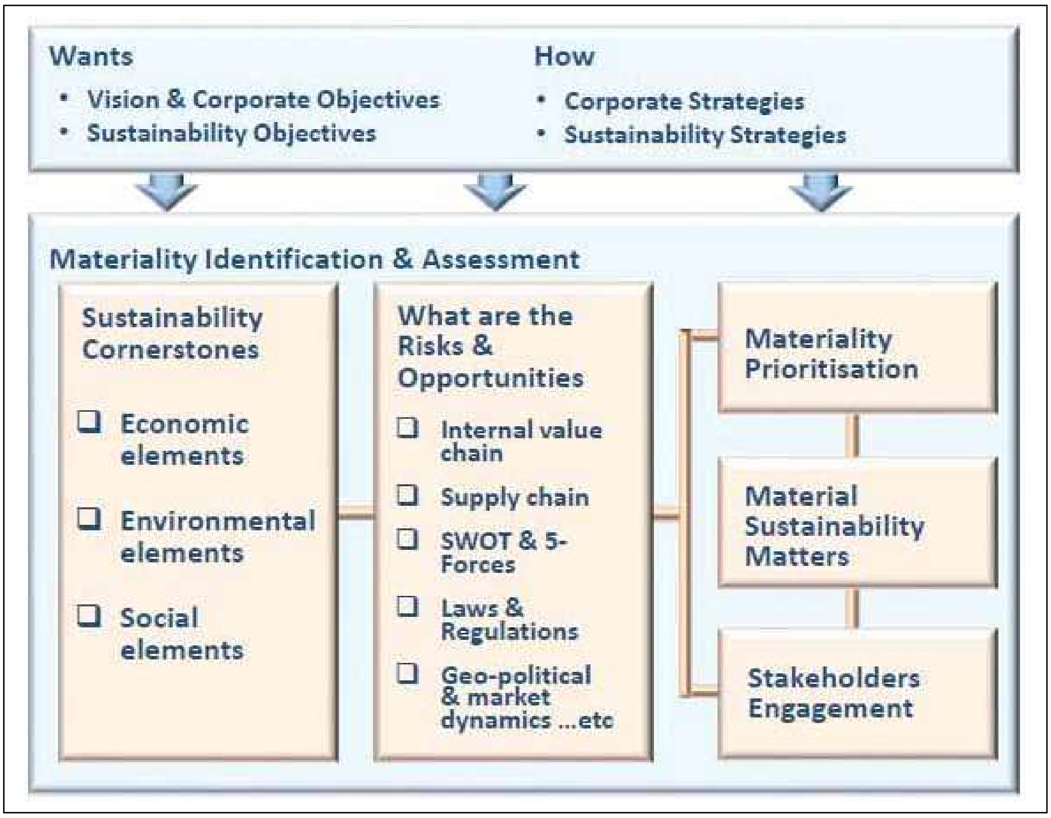

Illustration 3

Sustainability Statement
(continued)

The Group adopts the view that its ‘material sustainability matter’ identification and assessment process should be kept simple and agile for timely response – rather than turning it into an academic quantification exercise. The need to physically engage stakeholders during the “materiality assessment” stage rarely arises in today’s information-age, as their wants in relation to sustainability issues are often well promulgated and can be rapidly identified. In practise, the Group’s steel businesses constantly engage stakeholders old and new in the course of their prioritised dealings – which provides a continuous loop of identification and management of material sustainability matters throughout the financial year.

Illustration 4 below is a snapshot of the Group’s materiality matrix where ‘sustainability matters’ are measured against its significance to the Group and to the stakeholders. While every mentioned ‘matter’ on the matrix is important to the Group’s long-term sustainability, the top right-hand quadrant represents those of the highest significance of which are prioritised for reporting hereinafter.

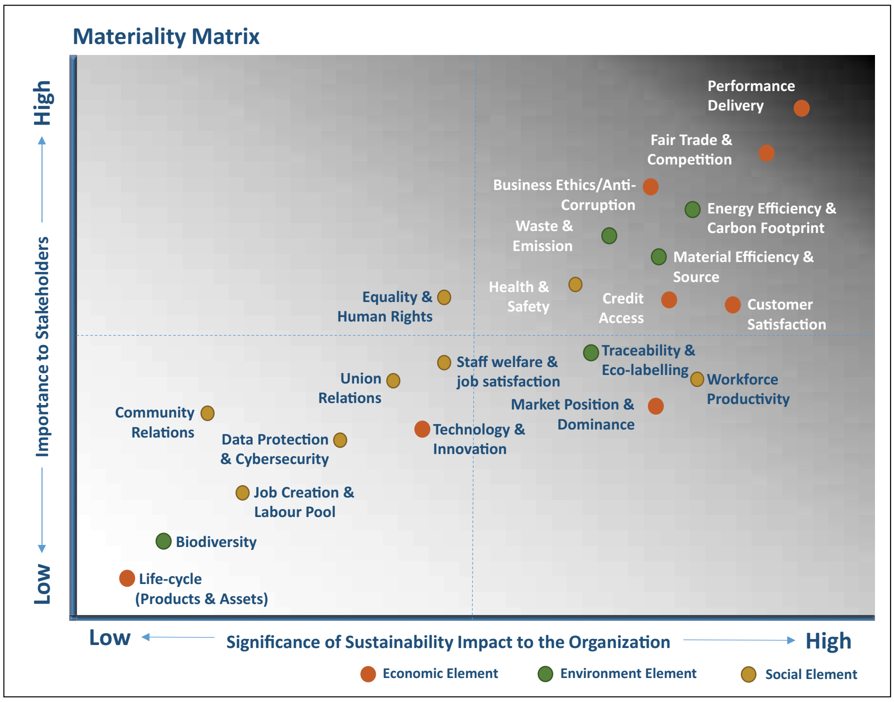

Illustration 4

In managing those sustainability matters, the Group would associate each sustainability matter with the relevant stakeholder groups; and then further profile stakeholders within that group in-order to refine the appropriate engagement strategy.

Illustration 5 below is a snapshot of the Group's nine main stakeholder groups, and how these cross-lapped the four quadrants of engagement strategies – determined by the position of the stakeholder's interest and influence on the organisation. For instance, the 'customers group' sits on all four quadrants, and the business units would need to profile and identify each customer's position in the Prioritisation Matrix to determine the engagement strategy that best applies.

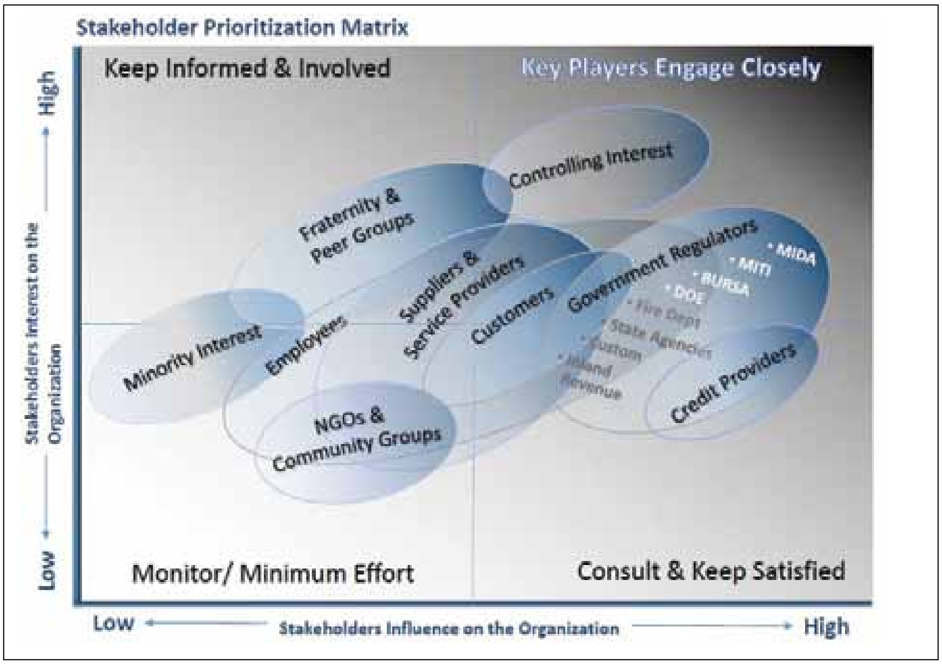

Illustration 5

The engagement approach and the frequency of engagement vary under each quadrant and for each stakeholder. Most often, stakeholder engagement in the top quadrant (requiring close engagement) involves personnel across functions and hierarchy.

D. MATERIAL SUSTAINABILITY MATTERS

Set-out below are highlights of the Group's 'material' sustainability matters. To add perspective on the Group's social contribution, a non-material sustainability matter on 'community relations' is also included.

Economic

1.0 Performance Delivery

Besides the steel manufacturing operations held under its listed Mycron Steel Berhad (MSB), it is the Company's aim to establish other sustainable core businesses directly under it. However, that has been a struggle to-date. Its past Power segment (from FY2008 to FY2014) and the present Engineering segment (from FY2015-current) both could not generate the required economic value, but have severely depleted 'value' beyond its invested capital. A candid self-assessment would reveal that the problem lies not with the adopted business-model nor with the more common sustainability-matter failures, but with shortcomings in its 'performance delivery'.

Moving forward, the Company resolved to be more self-critical and to judiciously engage its employee stakeholders in those new and emerging businesses to address performance delivery shortcomings and draw lessons from the 'performance management' practices adopted in its more successful steel operations held under its listed MSB.

2.0 Fair Trade & Competition

This sustainability matter relates more to its steel industry, as it is highly susceptible to unfair trade practices particularly from aboard, given that the domestic steel market is comparatively smaller and lagging in economic-scale advantage compared to some of its larger Asian neighbours. Any regional market disruption or down-cycles usually give rise to downside risk on the domestic market to varying degrees, depending on the type of steel products and the quantum of tariff or duties in-placed. As such, maintaining a 'fair and levelled' competitive environment by working closely with the steel and trade governing bodies, and industrial organisations is one of the Group's key focus on sustainability management.

As disclosed in the Chairman's Statement and in the Management Discussion and Analysis Statement, the listed steel arm MSB's negative performance in the current financial year was largely attributed to this significant disruption caused by escalated trade protectionism in the West (initiated by the Trump administration in early 2018) and the resultant diversion of Asian's excesses (particularly of Cold Rolled Coil or CRC) into Malaysia and other regional economies slacking protective measures.

To address this material sustainability matter, the management had engaged various government and regulatory bodies, peers, and industry organisation. In this regard, the Cold Rolled subsidiary had in early 2018 initiated petition for anti-dumping measures on CRC with the authorities. The need to establish proof of 'injury' and the changed of vanguard in the last general election have delayed progress on the matter until late March 2019 -where the 'initiation of investigation with regards to the imports of CRC above 1300mm in width' was first announced by the authority. By early May 2019, the administrative review of anti-dumping on CRC up to 1300mm in width was also announced. As a result, the severely impeded financial performance of the Cold Rolled subsidiary in the first three quarters of the current financial year only began to moderate over the fourth quarter.

Besides the above, the Group also undertook the following coherent initiatives and stakeholders engagement to address the sustainability matter over the current financial quarter:

- It was (and still is) represented in the Steel Committee chaired by the 'Ministry of International Trade and Industry' which presides periodically over the approval of import duty exemption for non-locally produced steel products.

- It conducted free workshops for the Royal Customs Department on the physical identification of grades & specifications of steel coils under the various HS code classifications.

- It participated in the Malaysia Steel Council chaired by the Ministry of International Trade and Industry in the development of the White Paper on the nation's steel policy for the next decade.

The Group's uphold on 'fair trade' also extends to its suppliers and service providers. In this regard, the Group periodically assesses its major suppliers and service providers to ensure their trade practices are fair and not in violation of applicable Anti-Profiteering Regulations or Competition Act. Top and mid-management engage major suppliers and service providers at various levels throughout the year in face-to-face interview, on-site inspection, mailer questionnaires, and peer feedback.

Social-Economic

3.0 Quality & Customers Satisfaction

This sustainability matter relates more to the steel segments as they are highly dependent on recurring customers. 95% of the steel customers have been with it for more than 5 years. The key to the segments' high customer's retention rate and long-term sustainability is its 'value proposition' on product quality and customers' satisfaction. The steel operations adopt a 'zero-tolerance-for-defects policy' and endeavour to ensure that its products meet most stringent quality standards for both domestic and international markets. In this regard, the steel operations have over the years attained extensive quality and environmental accreditations as outlined in page 33.

Despite the extensive quality systems and checks, product quality issues from customers' feedback or returns exist sporadically, and these are diligently reported, assessed, and remedied. Outlined in Table 1 below is the steel operations' quality issue record for the current and preceding financial years.

	Table 1	Steel Tube		Cold Rolled	
		FYE 19	FYE 18	FYE 19	FYE 18
a.	Number of quality issues raised by customers (cases)	22	21	18	17
b.	Technically justified quantity involved (tonnes)	10.32	11.67	36.48	79.8
c.	Percentage of (b) over production volume (%)	0.013%	0.014%	0.02%	0.05%

Whilst 'product quality' is one of the basic customers' requirement, the steel operations also focus on three other performance yardsticks in the delivery of total customers' satisfaction. Outlined in Table 2 below is a summary of the annual customer satisfaction survey for the current and the preceding financial year.

Summary of Customers Satisfaction Survey

Table 2		Steel Tube		Cold Rolled	
		FYE 19	FYE 18	FYE 19	FYE 18
a.	Product (Range & Quality)	80.16%	79.21%	73.39%	70.65%
b.	Order Management (efficiency & experience)	76.81%	75.75%	78.02%	75.27%
c.	Technical Service (support)	77.45%	75.12%	72.78%	70.92%
c.	People (knowledge & service)	81.87%	84.82%	81.45%	80.87%

The Engineering segment has a poor record on meeting contracted project-completion timeline, and does not have any reliable form of assessing customers' satisfaction.

Social-Economic

4.0 Business Ethics & Anti-Corruption

The Group strives to maintain the highest standards of business integrity as set-out in its Code of Conduct which is indoctrinated in its employees' handbook, and published on its website. The Code outlines expected ethics, business conduct, and ramifications. The Group is against bribery or corruption practices, and is in the process of firming-up its 'anti-corruption compliance programme' in-line with recent amendments to section 17 of the Malaysian Anti-Corruption Commission Act. Conformance is assured through a multi–check system comprising of:

- A secured channel for anonymous whistle-blowing by internal and external parties
- Dedicated direct communication access to a Senior Independent Non-Executive Director who is assigned as the first point of contact for such matters
- Periodic internal audit coverage on such risk areas
- Annual signed disclosure by senior management on any incidences of suspected fraud, corruption, or violation of its Code of Conduct
- Embedded in its employees' annual performance assessment

There has not been any incidence of conduct violation or breach during the current financial period.

The Group also expects similar standard on ethical business practices from its suppliers and service providers. Prospecting suppliers and providers are subjected to comprehensive sustainable practice assessment covering the aforementioned areas and more, before being admitted into its panel. Existing suppliers and providers are required to comply with the Group's 'Suppliers Code of Conduct' covering its expectations on labour practices; health, safety, and environment; ethics; and management systems. Compliance assurance is enhanced through site-visits to key suppliers' operations on a random basis, and from annual sustainability questionnaire.

Economic

5.0 Access to Capital

The mid-stream steel manufacturing businesses of the Group are both capital asset and working-capital intensive, whilst the Engineering segment is working-capital intensive. The Group taps on both equity and debt sources for capital, depending on the nature of financing. To ensure the sustainability of access to capital, the Group aims to provide a "fair" return to both its equity and debt capital providers, and in ways where the providers are kept abreast of the businesses and risk-return profile through the following:

i) **Active Engagement**
The Group's engagement with equity providers goes beyond listing and securities-exchange rules & compliances, as it also engages with analysts and institutional-investors to facilitate securities coverage and to ensure its long term value proposition is conveyed. Debt-capital providers are kept informed of periodic performance and are engaged to facilitate annual credit review.

ii) **Proper Governance**
The Group strives to ensure transparent and responsible deployment of its capital and that these are appropriately disclosed in its quarterly and annual financial reports. The Group maintains a clean debt-service record with strict compliance on covenants and securities-market rules.

The Group's long-term access to capital faced friction in the current financial year as the steel industry is not favoured by capital providers whilst its engineering projects are all loss-making. Whilst the Group upheld its clean debt-service record, its Cold Rolled subsidiary failed to meet a covenant on "debt-service-cover-ratio" due to its net loss position in the current financial year. Even though a waiver on the aforementioned was granted, it left a blemish on relations. The Engineering segment does not have any external debt capital. Outlined in Table 3 below is the steel subsidiaries' debt-capital utilisation and headroom position:

Debt Capital

Table 3	Steel Tube		Cold Rolled	
	FYE 19	FYE 18	FYE 19	FYE 18
Banks				
a. Drawn (%)	67.23%	86.75%	39.48%	57.12%
b. Headroom (%)	32.77%	13.25%	60.52%	42.88%
Non-Banks				
a. Drawn (%)	16.70%	35.62%	42.71%	53.50%
b. Headroom (%)	83.30%	64.38%	57.29%	46.50%

The financial year ended 2019 also represents the second consecutive financial year the Group has managed to deliver a thin positive economic spread of around 0.7% (FY2018: 0.7%) above its weighted average cost of capital employed of around 7.6% (FY2018: 6.98%). Despite the aforementioned, the equity capital market has been lukewarm with the Company's Rights Issue with free warrants in August 2018, which only managed to garner a take-up rate of 59.37%. The Group resolves to continue delivering a positive economic return for its equity capital providers moving forward.

Environment-Economic

6.0 Efficiency & Emission

One of the Group's key sustainable strategy is to use the least input of scarce resources to produce a given unit of output with the least impact on the environment. It strives to achieve the aforementioned with the following means at all stages of its production value-chain.

i) Sourcing
The primary input resource used is carbon steel Hot Rolled Coil ("HRC") which is made from the most abundant element on Earth, iron ore. Iron and its steel derivatives are amongst the globe's most sustainable raw materials as these are merely transformed and recyclable. As such, the Group's focus on sustainability is on the suppliers and the origin of supply. In this regard, the Group has a strict selection criteria to source raw steel materials only from producers that meet world-class environmental and social sustainability practices. To ensure compliance, its management conduct annual survey and visits to all sourcing mills to review sustainability practices as requisite for continuous business.

ii) Production
The conversion from raw HRC to Cold Rolled Coil ("CRC") and/or steel tubes and pipes involves multiple processing stages which consume significant amount of energy (in the form of electricity and gas), water, and soluble lubricants. The conversion processes also result in steel scrap by-products, zinc ashes, waste water, and spent-acid. Noise emission are generally within permissible levels, whilst air pollution is minimal and confined to the zinc coating process. The Group's sustainability strategy in this area is to constantly seek ways to minimise the carbon footprint, waste and emission, and has established special committee to manage the aforementioned.

iii) Carbon Footprint
The Group tracks the carbon emission equivalent from the usage of electricity, gas, fuel, and water by its factories; and constantly seek ways to reduce the same. In this regard, the committee directs technical audits of its operations to identify gaps and solutions. For the current financial year under review, the following initiatives/programmes were carried out to reduce the carbon footprint of the operations.

- Conducted energy saving awareness & methods training to all production staff
- Replaced all hi-bay filament lightings (250w) to LED (100w)
- Optimized rain-water harvesting & recycled water usage in the operations
- Initiated study on solar photovoltaic solution to supplement electricity usage by the factories under the government initiated 'Net Energy Metering Scheme'

Environment

Table 4	Steel Tube		Cold Rolled	
	FYE 19	FYE 18	FYE 19	FYE 18
a. Estimated CO_2 Emission (tonnes)	3,037	3,368	14,499	16,043
b. CO_2 Emission per tonne of steel output (kg/tonne)	38.3	39.4	101	93

iv) Waste & Emission

The sustainability objective in this area is to minimise waste and by-products whilst maximising recovery with minimum impact on the environment. The operations' primary waste by-product is steel scrap, and the operations have been working continuously over the years to minimise scrap output (measured as 'yield loss') through numerous raw material optimisation and production-line refinement initiatives. Outlined in Table 5 below are records of its yield loss on raw coils, which are recovered through scrap aggregation and sale.

Environment

Table 5	Steel Tube		Cold Rolled	
	FYE 19	FYE 18	FYE 19	FYE 18
Steel scrap yield loss -%	3.60%	3.75%	5.41%	5.04%

In maximising the recovery of its steel scrap, the operations have comprehensive aggregation points, and conduct monthly scrap tender to secure the best market price.

For the current financial year under review, the following initiatives/programmes were also carried out to optimise sustainability wins on other waste and emission.
- Initiated the construction of an acid recovery plant at the Cold Rolled operation which would recycle spent-acid and reduce waste by 80%.
- Commissioned a zinc-ash processing plant at the Steel Tube galvanising operation which would recover zinc and improve ash purity for various downstream applications

The steel operations passed all environmental audits conducted by the DOE (Department on Environment) in the current financial year. There were no incidents of environmental violations or fines recorded. The Engineering segment does not have any reported emission or environmental issues at its project sites.

Economic-Environment & Social

7.0 Health & Safety

Regulatory 'Health and Safety' ("H&S") requirements are particularly pertinent and elaborate for factory operations, and as such is one of the key sustainability matter for the Group's steel manufacturing operations. H&S requirements are governed particularly by the 'Occupational Safety and Health Act' and the 'Factories and Machinery Act' which combined covers wide ranging regulations including licensing, machinery upkeep, environmental management, and staff welfare. The Group's operations work vigorously to comply with these, and its Steel Tube and Cold Rolled each has established a H&S committee aided by a designated officer to oversee initiatives, awareness & training, incidents management, and compliance. The Group's H&S policies, processes, and procedures are duly incorporate into its quality management system, and Internal Control Procedures. The H&S committee presided over the following H&S events during the current financial year:

- HSE (health, safety, & environment) campaign
- Series of HSE training for staff
- Internal HSE Kaizen and SoHELP (systematic occupational Health Enhancement Level Program)
- Initiative towards ISO 45001
- DOSH (Department on Safety & Health) audits

Group's factories have elaborate rules to ensure safe and conducive work environment for the staff. Factory floor staff are equipped with hardhats, safety attire, and safety shoes. Factory floor visitors must be guided and are required to attend a safety video debrief before being allowed access. The Group gives first priority to local hirings, and shortfalls are filled by foreign contract workers (averaging 24% of its factories' combined workforce). It is the Group's policy to only hire legalised foreign workers through licensed channels devoid of any insinuation of force labour or human trafficking. All workers (local and foreign) are treated equally and given equal access to basic staff welfare and training; and no staff are allowed overtime work beyond the limits prescribed by the Employment Act.

Despite elaborate training on HSE rules and procedures, incidences of H&S failures (as per summary table below) still occurred due to staff's unsafe conduct and lapses in safety rules compliance:

Health & Safety

Table 6	Steel Tube		Cold Rolled	
	FYE 19	FYE 18	FYE 19	FYE 18
a. Number of recorded incidents or failures	16	7	2	7
b. Number of cases involving injury	16	7	1	5

Note: Data for Steel Tube is for 3 factories combined, whilst Cold Rolled is for a single factory

Incidences involving injuries were mainly light and were reported to DOSH where applicable. There has not been any compound or HSE audit failure with DOSH and DOE over the current financial year. The Engineering segment does not have any reported HSE incidents or issues at its project sites.

Social

8.0 Community Relations

Even-though 'community relations' does not fall within the high materiality quadrant nor bears perceptible sustainability risk, the Group believes that it has a corporate responsibility to contribute back to the communities within its operational footprint in whatever small ways it can, as the 'communities' ultimately represents the consumer and labour pool. The Group's activities on community relations over the current financial year are as follows:

i. The Group completed and delivered another one unit of modular children library in Kampung Orang Asli, Bukit Bangkung, Sepang for a related-party charitable foundation on a non-profit basis.

ii. The Group conducted a donation drive within the organisation for the benefit of the following selected homes for the destitute and underprivileged:

- House of Love – Home for orphans, abused, abandoned & neglected children
- Wen Zhao Old Folks Home – Shelter & hospice care for destitute old folks
- Rumah Penyayang Ulin Nuha – Home for orphans & underprivileged children
- Pusat Jagaan Baitus Sofwah – Home for orphans & underprivileged children

Staff teams visited each of the 'homes' to deliver the donations and had cheerful interaction with the residents. Over the current financial year, the Group also have expended RM22,000 in donations to two registered charity organisations.

The Group hopes to do more in the next financial year.

Corporate Information

DOMICILE
Malaysia

LEGAL FORM & PLACE OF INCORPORATION
A public listed company incorporated in Malaysia under the Companies Act 1965 and limited by shares

DIRECTORS
TUNKU DATO' YAACOB KHYRA
Executive Chairman

EN AZLAN BIN ABDULLAH
Non-Independent Non-Executive Director

TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH
Non-Independent Non-Executive Director

EN SHAZAL YUSUF BIN MOHAMED ZAIN
Senior Independent Non-Executive Director

DATIN SERI RAIHANAH BEGUM BINTI ABDUL RAHMAN
Independent Non-Executive Director

MR KWO SHIH KANG
Independent Non-Executive Director

DATO' DR. KILI GHANDHI RAJ A/L K R SOMASUNDRAM
Independent Non-Executive Director

SECRETARY
MS LILY YIN KAM MAY

AUDIT AND GOVERNANCE COMMITTEE
MR KWO SHIH KANG
Chairman

EN SHAZAL YUSUF BIN MOHAMED ZAIN
Member

DATIN SERI RAIHANAH BEGUM BINTI ABDUL RAHMAN
Member

REGISTRAR & TRANSFER OFFICE
Trace Management Services Sdn Bhd
Suite 11.05, 11th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur
Telephone No. : 03-6252 8880
Telefax No. : 03-6252 8080

REGISTERED OFFICE
Suite 11.05, 11th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur
Telephone No. : 03-6252 8880
Telefax No. : 03-6252 8080

PRINCIPAL PLACE OF BUSINESS
15th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur
Telephone No. : 03-6250 6000
Telefax No. : 03-6257 1555

SOLICITORS
Chooi & Company + Cheang & Ariff
Level 5, Menara BRDB
No. 285, Jalan Maarof
Bukit Bandaraya
59000 Kuala Lumpur
Telephone No. : 03-2055 3888
Telefax No. : 03-2055 3880

Deol & Gill
Suite 19-03-03
3rd Floor, Wisma Tune
No.19, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Telephone No. : 03-2095 9980
Telefax No. : 03-2095 9881

Othman Hashim & Co
6th Floor Wisma Kah Motor
566 Bt 3 ½ Jalan Ipoh
51200 Kuala Lumpur
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Telefax No. : 03-6259 3393

Azman, Davidson & Co
Suite 13.03, 13th Floor
Menara Tan & Tan
207 Jalan Tun Razak
50400 Kuala Lumpur
Telephone No. : 03-2164 0200
Telefax No. : 03-2164 0280

AUDITORS
Messrs PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Telephone No. : 03-2173 1188
Telefax No. : 03-2173 1288

PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)
Ambank (M) Berhad
Bangkok Bank Berhad
CIMB Islamic Bank Berhad
Malayan Banking Berhad
Maybank Islamic Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Number 3778

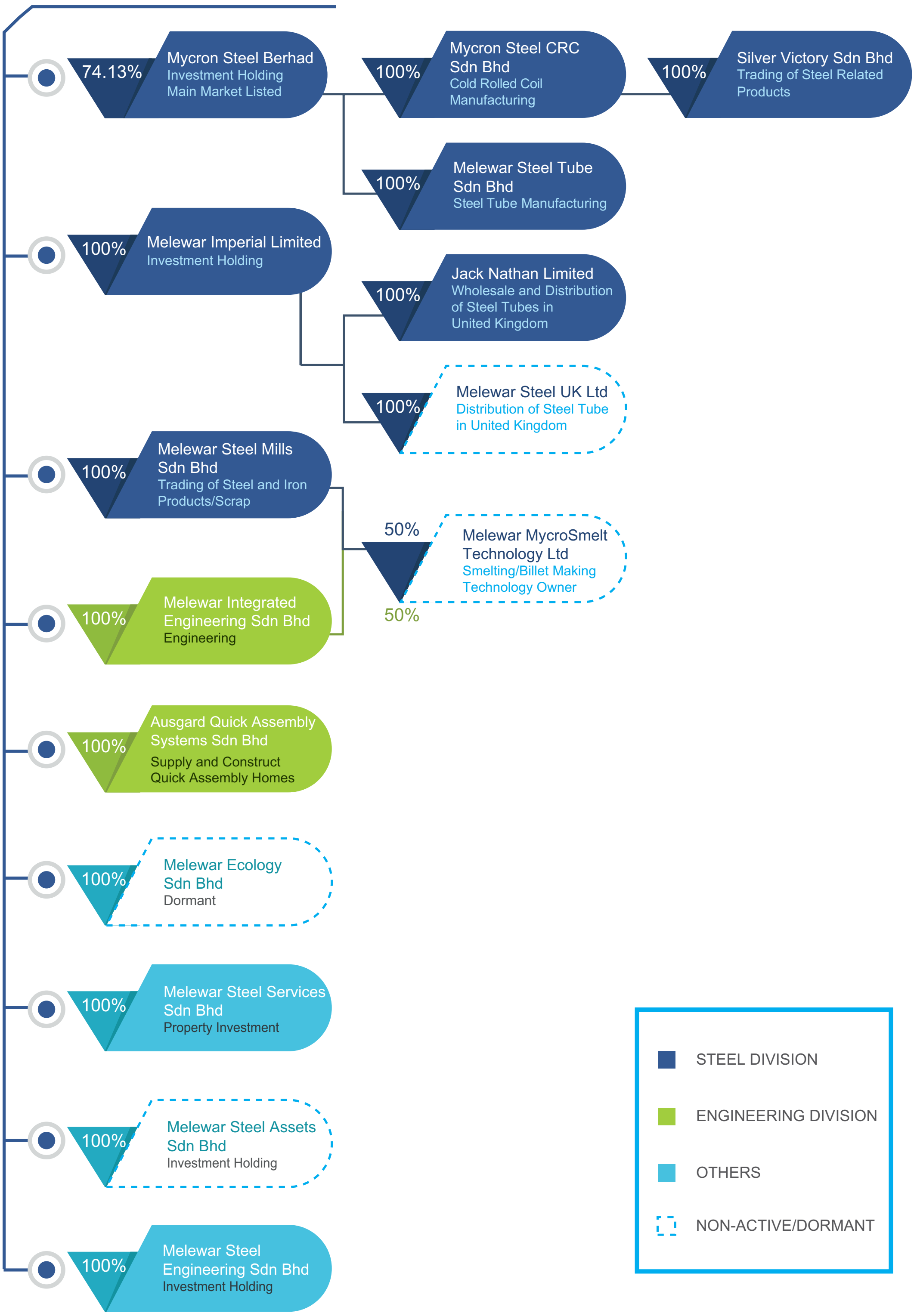
WEBSITE
www.melewar-mig.com

E-MAIL
enquiry@melewar-mig.com

Corporate Group Structure

MELEWAR INDUSTRIAL GROUP BERHAD

Property Investment and Investment Holding
(Main Market Listed)



Quality Recognition

Melewar Industrial Group Berhad, via its main operating sub-subsidiaries, Mycron Steel CRC Sdn Bhd ("MCRC") and Melewar Steel Tube Sdn Bhd ("MST") constantly strives to improve operational excellence and meet customers' expectations.

MCRC achieved its first ISO 9001 certification by SIRIM and IQ Net in 1996 followed by MST in 1997. Over the years, MCRC and MST have established a more effective Quality Management System to adapt to the latest global challenges.

SIRIM ISO 9001 : 2015

Quality Recognition
(continued)

In September 2016, MCRC obtained product certification by SIRIM in recognition product quality compliance against the Malaysian Standard (MS 2651 : 2015) and Japanese Industrial Standards (JIS G3141 : 2011). Our products are verified, tested and confirmed, in meeting the parameters covered by the two mentioned Quality Standards. These certifications are beneficial not only to MCRC, but also the industry as a whole, as they provide our customers with assurance of quality and reliability. We are continually raising the bar as far as quality is concerned, aligned with our mission, to be the highest Quality Cold Rolled Steel Sheets manufacturer in Malaysia.


LESEN PENSIJILAN BARANGAN
Product Certification Licence


SCHEDULE


LESEN PENSIJILAN BARANGAN
Product Certification Licence


SCHEDULE

On the environment front, MCRC plays a pivotal role in ensuring continual improvement of environmental performance in all its business operations. In June 2014, MCRC obtained the ISO 14001 : 2004 Environmental Management System certification and in June 2017, MCRC was certified with ISO 14001 : 2015.


CERTIFICATE


IQNet
CERTIFICATE

Quality Recognition
(continued)

MST on the other hand, is continuously improving the quality of its products and processes with a variety of certifications such as the EC Factory Production Control Certification and CE Marking from Lloyd's Register, Perakuan Pematuhan Standard (Bahan Binaan) from CIDB Malaysia, and EMAL certification from Cawangan Kejuruteraan Elektrik Jabatan Kerja Raya Malaysia. The conformity of the products and processes with these standards are periodically reviewed and confirmed by way of internal and external audits. The quality of MST's products meets the requirements of many international standards. In 2019, MST successfully obtained the LOGO BUATAN MALAYSIA certification from the Ministry of Domestic Trade and Consumer Affairs for its AURORA conduits and cold rolled products.

International Standards:

British Standard
- BS EN 10255 : 2004
  for Welded Steel Tube

British Standard
- BS 31 : 1940
  for Steel Conduit
  for Electrical Wiring

American Standard
- ASTM A 500/A 500M : 2013 for Cold Formed Welded Carbon Steel Structural Tubing in Round and Shape

Japanese Standard
- JIS G 3350 : 2009
  for Light Gauge Steel
  for General Structure

Japanese Standard
- JIS G 3445 : 1988
  for Carbon Steel Tube for Machine Structural Purpose

Japanese Standard
- JIS G 3452 : 2010
  for Carbon Steel Pipe
  for Ordinary Piping

Japanese Standard
- JIS G 3444 : 2010
  for Carbon Steel Tube
  for General Structure

British Standard
- BS EN 39 : 2001
  for Loose Steel Tubes
  for Tube and Coupler Scaffolds

Quality Recognition
(continued)

Malaysian Standards:

MS 61386-21 : 2010
for Rigid Steel Conduit
for Cable Management

MS 863 : 2010
for Welded Steel Pipe

SPAN TS 21827 :
PART 2 : 2013
for Non Alloy Steel Tube
for Water and Sewerage

MS EN 10219-1 : 2015
for Cold Formed Welded
Structural Hollow Section
of Non-alloys Steel

Other Certifications:

IRON AND STEEL PRODUCTS
- Non-Alloy Steel Tubes Suitable For Welding and Threading
- Rigid Steel Conduit For Cable Management
- Steel Conduit for Electrical Wiring
- Steel Pipes For Water And Sewerage
- Welded Steel Pipes

IRON AND STEEL PRODUCTS
- Carbon Steel Pipes For Ordinary Piping
- Cold Formed Structural Steel Hollow Section

Ministry of Domestic Trade and Consumer Affairs LOGO BUATAN MALAYSIA Certification for AURORA Conduits and Cold rolled products

EC Factory Production Control Certificate EN 10219-1:2006 for Cold Formed Welded Structural Hollow Sections of Non-Alloy Steels

Profile of Directors

TUNKU DATO' YAACOB KHYRA

Aged 59, Malaysian, Male
Executive Chairman
Chairman of the Executive Committee

Tunku Dato' Yaacob Khyra is the Executive Chairman of the Company and was appointed to the Board of Directors of the Company on 7 October 2002. He was the Group Managing Director/Chief Executive Officer of the Company since 11 October 2002 before being redesignated as the Executive Chairman on 26 August 2008. He currently holds the position of Executive Chairman of MAA Group Berhad ("MAAG") and Executive Chairman of Mycron Steel Berhad ("MSB").

Tunku Dato' Yaacob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.

Tunku Dato' Yaacob started his career as an Auditor with Price Waterhouse in London from 1982 to 1985 and subsequently, employed by the same firm in Kuala Lumpur from 1986 to 1987. Tunku Dato' Yaacob joined Malaysian Assurance Alliance Berhad (now known as Zurich Life Insurance Malaysia Berhad) in 1987 until October 2006.

Currently, Tunku Dato' Yaacob is a Board Member of MAAG, MSB, Melewar Group Berhad, Khyra Legacy Berhad ("KLB"), Yayasan Khyra, MAA Bancwell Trustee Berhad, Ithmaar Holding B.S.C., Ithmaar Bank B.S.C. (Closed) and several private limited companies. He also sits on the Board of Altech Chemicals Limited which is listed in Australia as Non-Executive Director.

Tunku Dato' Yaacob is the Chairman of the Board of Trustees for MAA-Medicare Charitable Foundation and The Budimas Charitable Foundation.

Tunku Dato' Yaacob is the brother to Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah. Tunku Dato' Yaacob is deemed interested in the Company by virtue of him being a beneficiary of a trust known as KLB, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the major shareholders of the Company. His shareholding in the Company is disclosed on page 51 and page 54 of the Annual Report.

Tunku Dato' Yaacob does not have any personal interest in any business arrangements involving the Company.

Tunku Dato' Yaacob does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors
(continued)

AZLAN BIN ABDULLAH

Aged 61, Malaysian, Male
Non-Independent Non-Executive Director

En Azlan bin Abdullah was appointed to the Board of Directors of the Company on 23 September 2002 as an Independent Non-Executive Director of the Company. Subsequently, he was appointed as an Executive Director of the Company on 10 June 2003. On 1 June 2011, he was redesignated to Managing Director/Group Chief Executive Officer of the Company.

On 11 August 2018, he was redesignated as Managing Director of the Company. Subsequently, on 11 February 2019, he was redesignated to Non-Independent Non-Executive Director of the Company. He currently sits on the Boards of the Company's subsidiaries, Mycron Steel Berhad, MIDF Amanah Investment Bank Berhad, Langkawi Yacht Club Bhd and several other private limited companies.

En Azlan holds a Bachelor of Science Degree in Business Administration from Trinity University, San Antonio, Texas, USA and a Masters Degree in Business Administration from Morehead State University, Kentucky, USA.

He started his career in 1983 with Citibank N A and in 1987, he joined United Asian Bank ("UAB") where he started and headed the Treasury Marketing Unit. After UAB merged with Bank of Commerce, he was subsequently promoted to Head of Priority Banking Division and Branch Manager of the KL Main Branch in 1992. In 1994, he rejoined Citibank Berhad as Vice President and Head of Public Sector Division.

En Azlan has no family ties with any of the Directors and/or major shareholders of the Company. His shareholding in the Company is disclosed on page 51 of the Annual Report.

En Azlan does not have any personal interest in any business arrangements involving the Company.

En Azlan does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH

Aged 58, Malaysian, Male
Non-Independent Non-Executive Director

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah was appointed to the Board of Directors of the Company on 18 December 2003 as a Non-Independent Non-Executive Director. He currently sits on the Boards of MAA Group Berhad, Khyra Legacy Berhad, Melewar Group Berhad, Jat Acres Berhad, MAA Credit Berhad, MAA Bancwell Trustee Berhad, Mithril Berhad and several other private limited companies.

Tunku Yahaya graduated in 1983 with a Bachelor of Science (Hons) Degree in Economics and Accountancy from City University, London. That year in London, he joined Peat Marwick Mitchell & Co. In 1986, he obtained his Masters of Science in Economics from Birkbeck College, University of London.

Upon returning to Malaysia in 1986, he joined the advertising company, MZC-Saatchi & Saatchi. In 1988, he joined the management of the refurbished Central Market (KL) as Executive Director. In 1994, he was appointed to put into operation and manage the television station, Metro Vision as Managing Director. In 1997, he started the music recording label, Melewar Parallax Sdn Bhd.

Tunku Yahaya is the brother to Tunku Dato' Yaacob Khyra, the Executive Chairman of the Company.

Tunku Yahaya does not have any personal interest in any business arrangements involving the Company.

Tunku Yahaya does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors
(continued)

SHAZAL YUSUF BIN MOHAMED ZAIN

Aged 48, Malaysian, Male
Senior Independent Non-Executive Director
Chairman of the Risk and Sustainability Committee
Chairman of the Nomination and Remuneration Committee
Member of the Audit and Governance Committee

En Shazal Yusuf bin Mohamed Zain was appointed to the Board of Directors of the Company on 31 May 2010 as an Independent Non-Executive Director. On 13 September 2019, En Shazal was redesignated as the Chairman of the Nomination and Remuneration Committee of the Company. He currently sits on the Boards of Mycron Steel Berhad and several other private limited companies.

En Shazal holds a Master of Science in Shipping, Trade and Finance from City University Business School, United Kingdom. He also holds a Bachelor of Arts in Economics from Nottingham University, United Kingdom.

En Shazal commenced his working career in 1994 as a Corporate Finance Executive at Commerce International Merchant Bankers Berhad (CIMB). He moved in 1996 to BSN Merchant Bankers as Assistant Manager, Corporate Banking before rejoining CIMB in 1998 as Senior Strategist, Treasury & Risk Management until 1999, when he decided to leave the investment banking sector to manage various business interests. He is currently the Managing Director of Confoil (Malaysia) Sdn Bhd and Shaz Inflight Sdn Bhd.

En Shazal has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company

En Shazal does not have any personal interest in any business arrangements involving the Company.

En Shazal does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATIN SERI RAIHANAH BEGUM BINTI ABDUL RAHMAN

Aged 57, Malaysian, Female
Independent Non-Executive Director
Member of the Risk and Sustainability Committee
Member of the Audit and Governance Committee
Member of the Nomination and Remuneration Committee

Datin Seri Raihanah Begum Binti Abdul Rahman, was appointed to the Board of Directors of the Company on 8 April 2019 as an Independent Non-Executive Director. Datin Seri Raihanah is a Member of the Audit and Governance Committee, Risk and Sustainability Committee and Nomination and Remuneration Committee of the Company. She currently sits on the Boards of MAA Group Berhad, Mycron Steel Berhad and several other private limited companies.

Datin Seri Raihanah is an Associate of the Chartered Insurance Institute (UK) and the Malaysian Insurance Institute. As a scholar of American Malaysian Insurance Sdn Bhd (later known as CIMB Bank Insurance) she started her insurance career with the company immediately after successfully completing her course in 1984 and has held various positions in the Underwriting and Marketing Departments before leaving in 1988 to join Malene Insurance Brokers Sdn Bhd ("Malene").

During her 10-year service at Malene, she was exposed to various aspects of the oil and gas industry and was involved in the Insurance programmes for Petronas, Shell, Esso (now known as Exxon-Mobil) and various other oil and gas-related companies such as Gas Malaysia Sdn Bhd and MISC Berhad. Her experience also included an attachment with a London-based Lloyds broker.

She left Malene in 1997 when she was the Acting Chief Executive Officer, to dedicate more time in bringing up her three young children. To ensure that she was in touch with the insurance industry and coupled with her experience and knowledge in insurance underwriting and broking, she made time, from 1998 to 1999, while being a homemaker, to be a part-time lecturer with the Malaysian Insurance Institute who conducted short courses for those in the insurance industry to obtain a more in-depth knowledge of the business.

In August 2005, Datin Seri Raihanah was appointed as a Non-Executive Director to the board of a public-listed fibre-based manufacturing company called Wang Zheng Berhad ("Wang Zheng"). She served as an active board member at Wang Zheng for 8 years.

She was also appointed as a member of the Board of Trustees for the Malaysian Medical Association ("MMA") Foundation for a three-year term from 2007. MMA Foundation is a non-profit organization which provides financial assistance for undergraduate medical students, continuing professional development, public health education and donations to charities.

Datin Seri Raihanah has no family ties with any of the Directors and/ or major shareholders of the Company nor any shareholding in the Company.

Datin Seri Raihanah does not have any personal interest in any business arrangements involving the Company.

Datin Seri Raihanah does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors
(continued)

KWO SHIH KANG

Aged 59, Malaysian, Male
Independent Non-Executive Director
Chairman of the Audit and Governance Committee
Member of the Risk and Sustainability Committee

Mr Kwo Shih Kang was appointed to the Board of Directors of the Company on 23 August 2019 as an Independent Non-Executive Director. Mr Kwo Shih Kang is the Chairman of the Audit and Governance Committee and a Member of the Risk and Sustainability Committee of the Company. He currently sits on the Boards of Mycron Steel Berhad and several other private limited companies.

Mr Kwo is a qualified actuary with more than 30 years of experience in the insurance industry which include stints in various South East Asian countries, in positions such as Chief Executive Officer, Appointed Actuary and Chief Financial Officer in a number of multinational insurers, such as AXA Affin Life Insurance Berhad, Allianz Life Insurance Malaysia Berhad, Aetna Universal (now known as ING Insurance Berhad), Gibraltar BSN Life Berhad and American International Assurance Berhad. Mr Kwo was also the Chief Operating Officer of Malaysian Assurance Alliance Berhad.

Mr Kwo was the President of the Life Insurance Association of Malaysia (LIAM) from 2012 to 2015. He is also the President of the Malaysian Financial Planning Council (MFPC) and was the President of the Actuarial Society of Malaysia.

Mr Kwo holds a Bachelor's degree in Actuarial Science from City University London and a Master of Business Administration, majoring in Finance, from CASS Business School, London. He is a Fellow of the Society of Actuaries, USA, and is also a Registered Financial Planner (RFP).

Mr Kwo has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr Kwo does not have any personal interest in any business arrangements involving the Company.

Mr Kwo does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATO' DR. KILI GHANDHI RAJ A/L K R SOMASUNDRAM

Aged 64, Malaysian, Male
Independent Non-Executive Director
Member of the Nomination and Remuneration Committee

Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram was appointed to the Board of Directors of the Company on 3 September 2019 as an Independent Non-Executive Director. Dato' Dr. Ghandhi Raj Somasundram is a Member of the Nomination and Remuneration Committee of the Company.

Dato' Dr. Ghandhi Raj Somasundram is currently a Senior Consultant Cardiothoracic Surgeon for Prince Court Medical Centre and Head of Department of Cardiothoracic Surgery of Gleneagles Hospital Kuala Lumpur. He is also a recognised member of the Society of Thoracic Surgeons of U.S.A., European Association for Cardiothoracic Surgery, Association of Thoracic and Cardiovascular Surgeons of Asia and the Malaysian Association for Thoracic and Cardiovascular Surgery.

Dato' Dr. Ghandhi Raj Somasundram is the Chairman of Medical Advisory Committee for MAA Medicare Heart Charity Fund and also the Chairman of Medical Advisory Council for MAA Medicare Cardiac Diagnostic Centre.

Dato' Dr. Ghandhi Raj Somasundram holds a MBBS degree from Mysore University, India. Addition he was trained and accredited in Cardiothoracic surgery in the United Kingdom. He was also trained in the University of Vienna, Austria and had received a Diploma in Cardiovascular Surgery. He has worked as a Consultant Cardiothoracic Surgeon in the UK before returning to Malaysia. Dato' Dr. Ghandhi Raj Somasundram also holds a Primary Fellowship from the Royal College of Surgeons of Edinburgh and a Diploma of Fellowship from the Royal College of Surgeons of Glasgow.

Dato' Dr. Ghandhi Raj Somasundram has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Dato' Dr. Ghandhi Raj Somasundram does not have any personal interest in any business arrangements involving the Company.

Dato' Dr. Ghandhi Raj Somasundram does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management

TUNKU DATO' YAACOB KHYRA

Malaysian, Aged 59, Male | Executive Chairman

Tunku Dato' Yaacob Khyra is the Executive Chairman of the Company and was appointed to the Board of Directors of the Company on 7 October 2002. He was the Group Managing Director/ Chief Executive Officer of the Company since 11 October 2002 before being redesignated as the Executive Chairman on 26 August 2008. His personal profile is listed in the Profile of Directors on page 37 of this Annual Report.

SOON LEH HONG

Malaysian, Aged 59, Female | Group Chief Treasury Officer

Ms Soon Leh Hong joined the Company on 9 October 2006 as a Group Chief Financial Officer. She was also appointed as Joint Secretary of the Company on 27 February 2007 and resigned on 14 October 2017. On 1 November 2008, she was redesignated to Group Chief Treasury Officer of the Company.

Ms Soon completed her professional qualification with the Malaysian Institute of Certified Public Accountants in June 1984. She is also a member of the Malaysian Institute of Accountants and Financial Planning Association of Malaysia.

Ms Soon started her career with Price Waterhouse Kuala Lumpur as an Auditor in 1980 and left in 1986 to gain experiences in internal auditing and consulting. In 1993, Ms Soon joined Hong Leong Bank as the Group Financial Controller and was involved in several corporate exercises including listing of the bank on the KL Stock Exchange in 1994. She was then redesignated as General Manager of Marketing Strategy of Consumer Banking covering alternative channels of banking from call centre to electronic banking and data warehouse management. After serving more than 10 years with Hong Leong Bank, she was appointed as the Intermediate Group Financial Controller of the banking and financial services division of Hong Leong Group. She then joined a private company with business interests ranging from property development, entertainment to steel industry including an iron ore mining company listed on the Australian Stock Exchange, as the Group Chief Executive Officer in 2005.

Ms Soon has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Ms Soon does not have any personal interest in any business arrangements involving the Company.

Ms Soon does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHOO KAH YEAN

Malaysian, Aged 54, Male | Chief Financial Officer

Mr Choo Kah Yean has been the Chief Financial Officer at Melewar Industrial Group Berhad since 1 November 2012.

Mr Choo has more than 32 years of work experience in finance functions that started in 1987 with the public accounting firm HRM Touche Ross which subsequently evolved into Arthur Anderson & Co. During those initial nine years of professional services he worked in a wide array of finance functions in various industries covering audit, corporate finance and recovery services, and business consulting. Moving on to the commercial sector, Mr Choo joined IOI Group in its corporate planning and finance function which helmed and oversaw the group's growth in its plantation, property, and downstream edible oil businesses during its formation years. Mr Choo's last engagement was with KNM Group heading the group's finance functions of its domestic and global operations involving process equipment manufacturing and engineering construction contracts.

Mr Choo holds Bachelor of Business Administration in Finance from Iowa State University, USA and Masters in Business Administration in Finance from University of Hull, UK. He is also Chartered Management Accountant of ICMA and is a Chartered Accountant member of MIA.

Mr Choo has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company. Mr Choo does not have any personal interest in any business arrangements involving the Company.

Mr Choo does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATUK UWE AHRENS

German, aged 54, Male | Chief Technical Officer

Datuk Uwe Ahrens has been the Chief Technical Officer of the Melewar Group since June 2002. Datuk Ahrens is responsible for engineering, upgrading, modification and extension of machinery and plant as well as the overall maintenance.

Datuk Ahrens holds Masters in both Mechanical Engineering and Business Administration from the Technical University Darmstadt, Germany.

Upon graduation, Datuk Ahrens joined the international engineering and industrial plant supplier, KOCH Transporttechnik GmbH in Germany, now belonging to FLSmidth Group, where he held a senior management position for 12 years, working mainly in Germany, USA and South Africa. In 1997, he was based in Kuala Lumpur as General Manager of KOCH in South East Asia and became its Managing Director in 1999. He is currently the Chief Executive Officer of Melewar Integrated Engineering Sdn Bhd.

Datuk Ahrens has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Datuk Ahrens does not have any personal interest in any business arrangements involving the Company.

Datuk Ahrens does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management (continued)

MOHD SILAHUDDIN BIN JAMALUDDIN

Malaysian, Aged 59, Male | Vice President – Business Development

En Silahuddin has been the Business Development Vice President at Melewar Industrial Group Berhad since 1 April 2008.

En Silahuddin heads a team to develop a chain of wholesale and retail outlets in selected markets in the International Arena, through Melewar Imperial Limited (Labuan), a wholly owned subsidiary of MIGB. En Silahuddin is also responsible for the Group's venture into steel modular Structures through Ausgard Quick Assembly Systems Sdn Bhd, another wholly owned subsidiary, whose purpose is to penetrate the modular building segment of the construction industry by introducing a quick and efficient building method while offering considerable cost savings to the potential client. Both these companies are at the early stages of their overall business models. His other functions include exploring business opportunities for the Group across a variety of Industries from mining to infrastructure to renewable energies.

En Silahuddin has more than 25 years of work experience in developing business in the Local Corporate World that started in 1994, after returning to Malaysia from the United States of America. He has been in the Building Materials Sector since then. During the initial 10 years of his working experience, he was in Regional Management in the Retail Industry and the Medical Insurance Industry in the United States. Moving on to the Building Materials sector, En Silahuddin was involved in the Brick and Timber Industries before joining the Steel Industry and Melewar Industrial Group Berhad.

En Silahuddin holds Bachelor of Business Administration in Information Systems from Georgia State University, USA. He has attained numerous certificates in the areas of Marketing, Management and Planning throughout his working experience.

En Silahuddin has no family ties with any of the Directors and/or major shareholders of the Company and currently has a minor shareholding in the Company.

En Silahuddin does not have any personal interest in any business arrangements involving the Company.

En Silahuddin does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

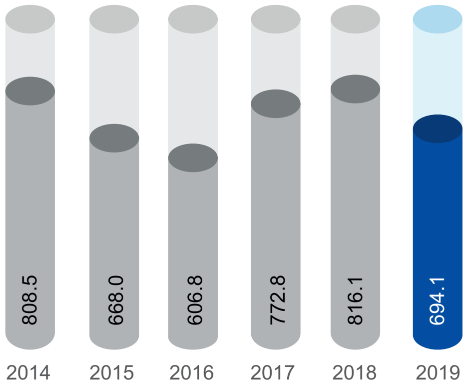
Group Financial Highlights

	2014	2015	2016	2017	2018	2019
1. Results of Operations						
Revenue (RM mil)	808.5^	668.0	606.8	772.8	816.1	694.1
Profit/(Loss) Before Tax (RM mil)	62.9^	(35.9)	23.1	(55.2)	11.2	29.8
Profit/(Loss) After Tax (RM mil)	74.6*^	(29.5)*	8.2*	(78.2)*	(0.7)*	30.8*
2. Statement of Financial Position						
Share Capital (RM mil)	226.8	226.8	226.8	227.0@	227.0	250.2
Shareholders' Fund (RM mil)	283.4	292.9	311.5	241.9	247.9	325.4
Total Assets (RM mil)	690.2	699.6	695.3	769.1	777.6	732.6
3. Financial Ratio						
Return on Equity (%)	26.3^	(10.1)	2.6	(32.3)	(0.3)	9.5
Debts#/Equity (Times)	0.85	0.91	0.61	1.16	0.6	0.37
Current Assets/Current Liabilities (Times)	1.04	1.1	1.2	1.1	1.1	1.4
Pre-Tax Profit/(Loss)/Average Shareholders' Fund (%)	25.7^	(12.5)	7.6	(19.9)	4.6	10.4
Pre-Tax Profit/(Loss)/Revenue (%)	7.8^	(5.4)	3.8	(7.1)	1.4	4.3
4. Per Share						
Gross Earnings/(Loss) per share (sen)	27.9^	(15.9)	10.2	(24.5)	5.0	8.3
Net Earnings/(Loss) per share (sen)	33.1^	(13.1)	3.7	(34.7)	(0.3)	8.6
Net Assets per share (RM)	1.26	1.30	1.38	1.07	1.10	0.91
5. Dividends						
Ordinary Dividend (sen)	-	-	-	-	-	-

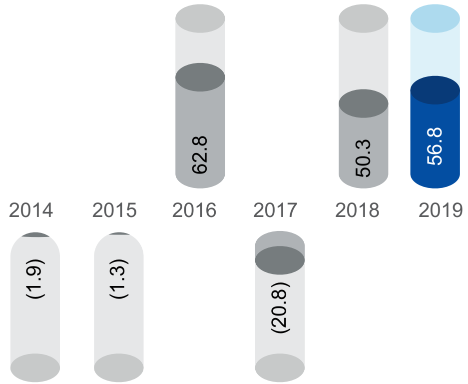
* Profit After Tax and After Non-Controlling Interests
^ Include both continuing and discontinued operations
# Debts include interest bearing trade payables
@ Impact from the new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017

Group Financial Highlights
(continued)

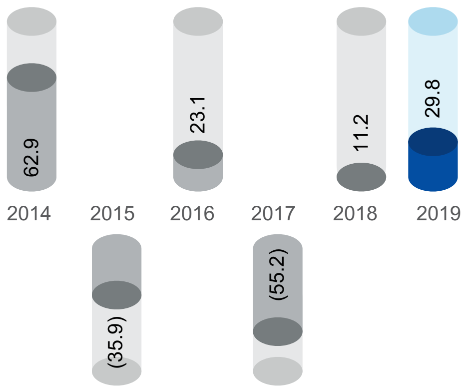
REVENUE
RM (Million)



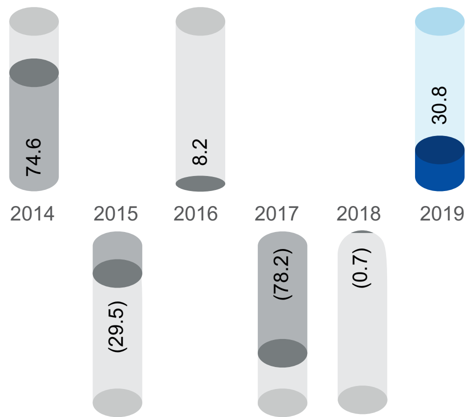
(LBITDA)/EBITDA
RM (Million)



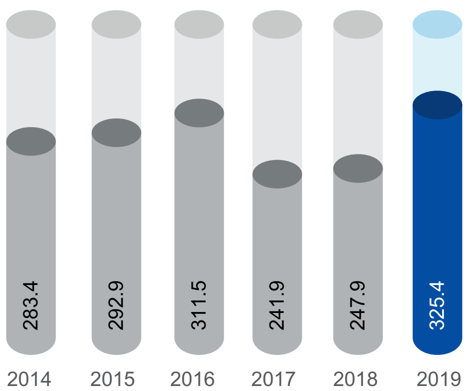
PROFIT/(LOSS) BEFORE TAX
RM (Million)



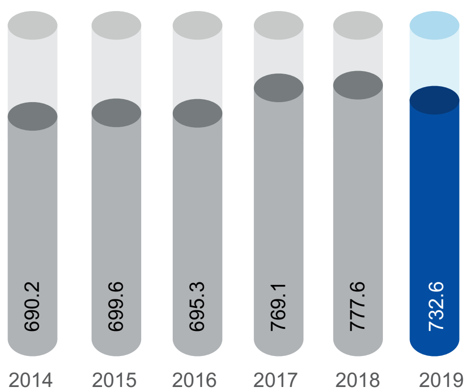
PROFIT/(LOSS) AFTER TAX
RM (Million)



SHAREHOLDERS' FUNDS
RM (Million)



TOTAL ASSETS
RM (Million)



Analysis of Shareholdings
As at 1 October 2019

Total Number of Issued Shares	-	359,417,703
Class of Shares	-	Ordinary Shares
No. of Shareholders	-	6,998
Voting Rights	-	One (1) vote per ordinary share

No. of Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	841	12.02	28,417	0.01
100 - 1,000	739	10.56	466,736	0.13
1,001 - 10,000	3,514	50.21	15,489,201	4.31
10,001 - 100,000	1,637	23.39	53,464,909	14.87
100,001 and below 5% of issued shares	265	3.79	125,205,976	34.84
5% and above of issued shares	2	0.03	164,762,464	45.84
TOTAL	6,998	100.00	359,417,703	100.00

THIRTY LARGEST SHAREHOLDERS AS AT 1 OCTOBER 2019

No.	Name	No. of Shares Held	[a]% of Shares
1.	Melewar Khyra Sdn Bhd	104,382,731	29.04
2.	Melewar Equities (BVI) Ltd	60,379,733	16.80
3.	Araneum Sdn Bhd	10,915,732	3.04
4.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	10,358,400	2.88
5.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	8,300,000	2.31
6.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	4,353,400	1.21
7.	Amsec Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Avenue Serimas Sdn Bhd)	3,710,300	1.03
8.	Geoffrey Lim Fung Keong	3,447,000	0.96
9.	Yeoh Phek Leng	2,960,000	0.82
10.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Quek Phaik Im)	2,704,500	0.75
11.	Wang Shu Lan	2,696,900	0.75
12.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Geok Wah)	2,560,800	0.71

Analysis of Shareholdings
As at 1 October 2019
(continued)

THIRTY LARGEST SHAREHOLDERS AS AT 1 OCTOBER 2019 (CONTINUED)

No.	Name	No. of Shares Held	[a]% of Shares
13.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Kim Ong)	2,000,000	0.56
14.	RHB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ooi Gim Eng)	1,766,000	0.49
15.	Wong Soo Chai @ Wong Chick Wai	1,658,000	0.46
16.	Mohamed Nizam bin Mohamed Jakel	1,317,600	0.37
17.	Tan Ah Siew	1,029,700	0.29
18.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Beneficiary: Exempt AN for CGS-CIMB Securities (Singapore) Pte Ltd (retail clients))	1,005,000	0.28
19.	Kenanga Nominees (Asing) Sdn Bhd (Beneficiary: Pledged securities account for Wu Teng Siong)	910,300	0.25
20.	RHB Capital Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lee Kah Weng)	854,000	0.24
21.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Ho Keat Soong)	850,000	0.24
22.	Kwo Kim Hoe	828,000	0.23
23.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB for Lee Soi Gek)	800,000	0.22
24.	Tan Poh Hwa	780,000	0.22
25.	Chim Luang Eng	729,400	0.20
26.	Thong Weng Tim	716,700	0.20
27.	Ong Teck Peow	714,000	0.20
28.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: CIMB Bank for Wan Hazreek Putra Hussain Yusuf)	704,300	0.20
29.	Chia Beng Tat	700,000	0.19
30.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.19
	TOTAL	234,805,829	65.33

Note:

[a] The percentages of thirty largest shareholders are calculated by dividing the shares held by the respective shareholders with the total number of issued shares.

Analysis of Shareholdings
As at 1 October 2019
(continued)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 1 OCTOBER 2019

	Number of Shares Held			
Name	Direct	%[a]	Indirect	%[a]
Khyra Legacy Berhad ("KLB")	–	–	164,762,464	45.84[1]
Melewar Equities (BVI) Ltd ("MEBVI")	60,379,733	16.8	–	–
Melewar Khyra Sdn Bhd ("MKSB")	104,382,731	29.04	–	–

DIRECTORS' SHAREHOLDINGS AS AT 1 OCTOBER 2019

	Number of Shares Held			
Name	Direct	%[a]	Indirect	%[a]
Tunku Dato' Yaacob Khyra ("TY")	–	–	164,762,464	45.84[2]
Azlan bin Abdullah	133,333	0.04	–	–

Notes:

(a) The percentages of substantial shareholders and Directors' shareholdings are calculated by dividing the shares held by the respective substantial shareholders and Directors with the total number of issued shares.

(1) Deemed indirect interest by virtue of it being the holding company of MEBVI and MKSB who are the Major Shareholders of the Company.

(2) Deemed indirect interest by virtue of TY being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the Major Shareholders of the Company.

Analysis of Warrant Holdings

As at 1 October 2019

Number of Warrants Issued	-	66,947,418
Number of Warrants Exercised	-	–
Number of Warrants Unexercised	-	66,947,418
Number of Warrants Holders	-	648
Exercise Price	-	RM0.40 per warrant
Exercise Period	-	20 August 2018 to 18 August 2023

No. of Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Issued Warrants
Less than 100	8	1.24	365	0.00
100 - 1,000	102	15.74	69,233	0.10
1,001 - 10,000	301	46.45	1,426,067	2.13
10,001 - 100,000	197	30.40	6,794,804	10.15
100,001 and below 5% of issued warrants	39	6.02	17,466,333	26.09
5% and above of issued warrants	1	0.15	41,190,616	61.53
TOTAL	648	100.00	66,947,418	100.00

THIRTY LARGEST WARRANT HOLDERS AS AT 1 OCTOBER 2019

No.	Name	No. of Warrants Held	[a]% of Issued Warrants
1.	Melewar Khyra Sdn Bhd	41,190,616	61.53
2.	Araneum Sdn Bhd	2,728,933	4.08
3.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	2,500,000	3.73
4.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	1,312,500	1.96
5.	Tan Khian Leong	1,000,000	1.49
6.	Teoh Leong Huat	869,500	1.30
7.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Geok Wah)	750,000	1.12
8.	Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Tiam Ming)	690,000	1.03
9.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	661,200	0.99
10.	Walter Wurtz	560,000	0.84
11.	Ong Kim Ho	502,000	0.75

Analysis of Warrant Holdings
As at 1 October 2019
(continued)

THIRTY LARGEST WARRANT HOLDERS AS AT 1 OCTOBER 2019 (CONTINUED)

No.	Name	No. of Warrants Held	[a]% of Issued Warrants
12.	Mohd Mansor bin Ismail	404,000	0.60
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Tan Eng Hock)	380,000	0.57
14.	Mohamed Zaiman bin Mohd Noor	347,900	0.52
15.	Quek Phaik Im	330,000	0.49
16.	Ong Choon Loon	300,000	0.45
17.	Tan Eng Hock	260,000	0.39
18.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Demudu A/L Naganaidu)	250,000	0.37
19.	Tan Poh Hwa	230,000	0.34
20.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Sak Kam Wah)	200,000	0.30
21.	Kenanga Nominees (Tempatan) Sdn Bhd (Beneficiary: Rakuten Trade Sdn Bhd for Tan Tai How)	200,000	0.30
22.	Maybank Securities Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chieng Kok Tung)	200,000	0.30
23.	Norpa'izah bte Abu Samah	200,000	0.30
24.	Teh Chye Lin	200,000	0.30
25.	Ewe Hong Khoon	197,800	0.30
26.	Wong Ching Huu	195,000	0.29
27.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Mohd Mansor bin Ismail)	180,000	0.27
28.	Wong Chong Lian	174,200	0.26
29.	HLIB Nominees (Tempatan) Sdn Bhd (Beneficiary: Hong Leong Bank Bhd for Ewe Hong Khoon)	170,000	0.25
30.	Nicecomp Sdn Bhd	167,500	0.25
	TOTAL	57,351,149	85.67

Note:

[a] The percentages of thirty largest warrant holders are calculated by dividing the warrants held by the respective warrant holders with the total number of issued warrants.

Analysis of Warrant Holdings
As at 1 October 2019
(continued)

LIST OF SUBSTANTIAL WARRANT HOLDERS AS AT 1 OCTOBER 2019

	Number of Warrants Held			
Name	Direct	%[a]	Indirect	%[a]
Khyra Legacy Berhad ("KLB")	–	–	41,190,616	61.53[1]
Melewar Khyra Sdn Bhd ("MKSB")	41,190,616	61.53	–	–

DIRECTOR'S WARRANT HOLDINGS AS AT 1 OCTOBER 2019

	Number of Warrants Held			
Name	Direct	%[a]	Indirect	%[a]
Tunku Dato' Yaacob Khyra ("TY")	–	–	41,190,616	61.53[2]

Notes:

[a] The percentages of substantial warrant holders and Director's warrant holdings are calculated by dividing the warrants held by the respective substantial warrant holders and Director with the total number of issued warrants.

[1] Deemed indirect interest by virtue of it being the holding company of MKSB who is the Major Shareholder of the Company.

[2] Deemed indirect interest by virtue of TY being a beneficiary of a trust known as KLB, being the holding company of MKSB who is the Major Shareholder of the Company.

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Melewar Industrial Group Berhad ("MIG" or "the Company") is fully supportive of the latest Malaysian Code of Corporate Governance 2017 ("MCCG 2017") issued on 26 April 2017. The Company has also used its best endeavours to enhance its policies and procedures in order to apply the principles of the MCCG 2017.

The Company's Corporate Governance Overview Statement ("CG Statement") is to be read together with the Corporate Governance Report for the financial year ended 30 June 2019 ("CG Report") which is available on the Company's corporate website at www.melewar-mig.com/investorsinfo_annualrep.html.

A summary of the CG practices of the Company is as described below, under each CG Principle :

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is collectively responsible to the Company's shareholders for the long-term success of the Group for its overall strategic direction, its values and its governance.

All members of the Board are aware of their responsibility to take decisions objectively to promote the success of the Group and to create long-term value for shareholders and other stakeholders. In performing its duties, the Board is guided by the Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting procedures including division of responsibilities between the Board, the Board Committees, the Executive Chairman and the Managing Director("MD")/Group Chief Executive Officer("GCEO"). The key elements of governance principles embedded in the Board Charter regulate the Board's conduct and guide the strategic initiatives of the Group.

Management's role is to implement and execute the strategies adopted by our Board and has delegated authority to manage the business on a day to day basis. The limits of Management's authority are embedded in the Internal Control Procedure ("ICP") document, known as the Transaction Authority Limits ("TAL") which sets out the delegation of authority by our MD/GCEO/Executive Chairman to the senior leadership, generally covering approvals for operational and capital expenditure, execution of contracts, procurement and investments up to a certain monetary threshold. Any commitments outside the TAL will require the prior approval of our Board and any changes to the TAL is also subject to Board's approval.

To facilitate the discharge of the Board's responsibility and oversight role, the Board is assisted by various Board Committees namely:

- Audit and Governance Committee ("AGC");
- Risk and Sustainability Committee ("RSC"); and
- Nomination and Remuneration Committee ("NRC").

The respective Board Committees operate within clearly defined terms of reference ("TOR") setting out their duties and responsibilities. All deliberations, recommendations and decisions of the Board Committees are recorded and minutes subsequently confirmed by the Board Committees at the next Board Committee meeting. During Board meetings, the Chairman of the various Board Committees provide reports of the decisions and recommendations made at the Committee meetings and highlight to the Board if any further deliberation is required at Board level.

The Board will review the TOR of Board Committees from time to time to ensure that they are relevant and updated in line with the new policies or regulatory requirements.

The ultimate responsibility for decision making, however, lies with the Board. These Board Committees are chaired by Independent Non-Executive Directors.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. Chairman and Managing Director

The Board has elected Tunku Dato' Yaacob Khyra as the Company's Executive Chairman whose main role is to provide leadership and guidance to the Board as well as to achieve the Group's strategic vision and also lead the Board in its collective oversight of Management. He is to also ensure effectiveness of the Board by encouraging active participation of all Board members and allowing dissenting views to be freely expressed.

With the re-designation of En Azlan bin Abdullah from Managing Director of the Company to Non-Independent Non-Executive Director on 11 February 2019, the roles and responsibilities of the Managing Director is carried out by the Executive Chairman.

3. Qualified and Competent Company Secretary

The Board is supported by a Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and therefore qualified to act as company secretary pursuant to Section 235(2) of the Companies Act 2016.

The Company Secretary attends all Board and Committee meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that the Company complies with all applicable statutory and regulatory rules.

On an ongoing basis, the Directors have separate and independent access to the Company Secretary. The Board is regularly updated by the Company Secretary on new changes to the legislations and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the resultant implications to the Company and the Board in discharging their duties and responsibilities.

The Company Secretary also serves notices to the Directors and Principal Officers on the closed periods for trading in MIG's shares pursuant to Chapter 14 of the MMLR of Bursa Securities.

4. Access to Information and Meeting Materials

Prior to the scheduled meeting, Directors will be provided a structured agenda together with management reports and proposal papers, if any, to enable them to have an effective discussion on the subject matters tabled to the Boards. The Board papers provide, among others, periodic financial information, operational and corporate issues, investment proposals and management proposals that require Board's approval.

Senior Management staff are invited to attend Board meetings to provide the Board detailed explanations and clarifications on certain matters that are tabled to the Board. The Directors may interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them. In this way the Board has full access to all information on the Company's affairs to enable them to properly discharge their duties.

The Directors may exercise their right to obtain independent professional advise in accordance with the steps set out in the Board Charter.

5. Board Charter

The Board understands the importance of the roles and responsibilities between the Board and Management. As part of the good corporate governance process, the Board has documented these roles and responsibilities in the Board Charter to ensure accountability of both parties and also to provide reference for Directors in relation to the Board's role, powers, duties and functions.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

5. Board Charter (continued)

The Board reviews and updates its Board Charter regularly as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. The Board Charter was last reviewed and approved by the Board on 30 May 2018 to re-align the existing governance policies in the Company with the good standard of corporate governance practices prescribed by MCCG 2017 and the MMLR, where applicable or relevant.

The Board Charter is available on the Company's website at www.melewar-mig.com.

6. Code of Conduct and Ethics

The Company had adopted the Code of Conduct and Ethics that are applicable to all Directors, Management and employees of the Group, which set forth the ethical and professional standards of corporate and individual behaviour expected to enhance the standard of corporate governance and corporate behaviour.

The areas covered by the Code of Conduct and Ethics are Compliance with Laws, Conflicts of Interest, Honesty, Fair Dealing, Confidentiality, Insider Trading, Diversity, Integrity, Selflessness and Non-Compliance.

The Company's Code of Conduct and Ethics is available on the Company's website at www.melewar-mig.com.

7. Whistleblowing Policy

As part of best practices in good corporate governance, the Group has established a "Whistle-Blowing" policy encoded in the Internal Control Procedure which is aimed to encourage reporting by employees in good faith, of any suspected and/or known instances of misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving the resources of the Group and the employees making such reports will be protected from reprisal.

The Company's Whistle-Blowing Policy fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrongdoing within the Company.

The AGC is committed to investigate and address all cases of reported misconduct and determine the channel for investigation and follow-up action.

The Whistle-Blowing Policy can be found in the Company's website at www.melewar-mig.com for easy access by the shareholders and the public.

8. Board Composition

The Company's Constitution stipulates that the minimum and maximum number of Directors on the Board shall not be less than two (2) nor more than twelve (12).

With the appointment of Mr Kwo Shih Kang and Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram, the Board now comprises of :

- one (1) Executive Chairman ;
- two (2) Non-Independent Non-Executive Directors; and
- four (4) Independent Non-Executive Directors.

The Independent Directors make up half of the Board, as recommended by the MCCG 2017. Details of the directors are set out in the Board of Directors' Profiles section in this Annual Report.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

8. Board Composition (continued)

Therefore, the following prescribed requirements have been fully complied by the Board:-

- Paragraph 3.04(1) of the MMLR which stipulates that at least 2 Directors or 1/3 of the Board of Directors, whichever is the higher, are Independent Directors; and
- Practice 4.1 of the MCCG 2017, where at least half of the Board comprises Independent Directors.

The current composition of the Board is as set out below:

Directors	Designation
Tunku Dato' Yaacob Khyra	Executive Chairman
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("Tunku Yahaya")	Non-Independent Non-Executive Director
En Azlan bin Abdullah ("En Azlan")	Non-Independent Non-Executive Director
En Shazal Yusuf bin Mohamed Zain ("En Shazal")	Senior Independent Non-Executive Director
Datin Seri Raihanah Begum binti Abdul Rahman ("Datin Seri Raihanah") *(Appointed 8 April 2019)*	Independent Non-Executive Director
Mr Kwo Shih Kang *(Appointed 23 August 2019)*	Independent Non-Executive Director
Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram ("Dato' Dr. Ghandhi") *(Appointed 3 September 2019)*	Independent Non-Executive Director

Directors who resigned during and subsequent to the financial year ended 30 June 2019:

Directors	Designation
Mr Muk Sai Tat ("Mr Muk") *(Resigned 7 April 2019)*	Independent Non-Executive Director
Dato' Indera Naresh Mohan ("Dato' Naresh") *(Resigned 29 August 2019)*	Independent Non-Executive Director
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) ("General Tan Sri Dato' Sri Hj Suleiman") *(Vacated office w.e.f 4 September 2019)*	Independent Non-Executive Director

The Group considers its complement of Non-Executive Directors provide an effective Board with a mix of knowledge and broad business and commercial experience. The Independent Non-Executive Directors of the Company are independent of management and free from any business relationship which could materially interfere with the exercise of their judgement.

They provide guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the highest probable standards of conduct and integrity are maintained by the Group. All Independent Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

8. Board Composition (continued)

With General Tan Sri Dato' Sri Hj Suleiman vacating the office as a director of the Company, the Board had unanimously agreed to appoint En Shazal as the Senior Independent Non-Executive Director who serves as the point of contact between the Independent Directors and the Board Chairman on sensitive issues and acts as a designated contact to whom shareholders' concerns or queries may be raised.

Overall, the Board is satisfied with the current number and composition of its members and is of the view that the members represent a diverse set of academic background, skills, knowledge and experience that are necessary to support the Group's growth and success.

9. Tenure of Independent Director

The Board is aware that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years as recommended by the MCCG 2017. Upon completion of the 9 years, the Independent Non-Executive Director concerned may:

- Continue to serve on the Board if deemed appropriate and suitable by the Board, subject to him/her being re-designated as Non-Independent Director; or

- Remain as an Independent Non-Executive Director if deemed appropriate and suitable by the Board, subject to the shareholders' approval. The Board must provide justification for the decision.

The Board is also mindful of Practice 4.2 of MCCG 2017 which require the Board to seek annual shareholders' approval through a two-tier voting process should the Board decide to retain the Independent Director after the twelfth (12th) year.

10. Diversity of Board and Senior Management

The Board acknowledges the importance of Board diversity, including gender diversity, for the effective functioning of the Board. In its selection for Board appointment, the Board believes in, and provides equal opportunity to candidates who have the skills, experience, core competencies and other qualities regardless of gender. In this respect, the Board formalised the gender diversity policy on 25 October 2013.

The Company does not practice any form of gender, ethnicity and age group biasness as all candidates for either Board or Senior Management team shall be given fair and equal treatment.

During the financial year ended 2019, Datin Seri Raihanah was appointed as an Independent Non-Executive Director on 8 April 2019 which fulfilled the target set by the Board.

The Diversity Policy can be found at the Company's website at www.melewar-mig.com.

11. Sourcing of Directors to the Board

The Board is responsible for the appointment of new Directors. The NRC is empowered to bring to the Board, recommendations as to the appointment of any new Director or to fill board vacancies as and when they arise. In making its recommendation, the NRC will consider the required mix of skills, knowledge, expertise, experience and other qualities, including core competencies which Directors of the Company should bring to the Board.

The NRC is also guided by the Procedure for the Appointment and Removal of Directors which was approved by the Board on 30 May 2018. The Board Nomination and Selection Process outlines the skill sets, knowledge/ experience, mindset and the intrinsic values required of the concerned Director vis-a-vis the need of the Company as well as time to effectively discharge his/her role as a Director of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

11. Sourcing of Directors to the Board (continued)

The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory requirements are complied with.

The NRC had reviewed and recommended the appointment of the following new Directors:

(i) Datin Seri Raihanah who was appointed to the Board on 8 April 2019;

(ii) Mr Kwo Shih Kang who was appointed to the Board on 23 August 2019; and

(iii) Dato' Dr. Ghandhi who was appointed to the Board on 3 September 2019.

The profiles of Datin Seri Raihanah, Mr Kwo Shih Kang and Dato' Dr. Ghandhi are set out in the Directors' Profiles section of the Annual Report.

The Board is of the view that the current directorship is adequate with the appropriate mix of skills and experience required for the Group.

The Terms of Reference of the NRC is made available for reference in the Company's corporate website at www.melewar-mig.com.

12. NRC

The Board merged the Nomination Committee and Remuneration Committee and renamed the Committee as the Nomination and Remuneration Committee since 27 February 2013.

The NRC is tasked by the Board to make independent recommendations for appointments to the Board. Appointment of Directors shall be based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

In making these recommendations, the NRC shall assess the suitability of candidates, taking into account the character, integrity, competence, professionalism, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

The NRC comprises of three (3) members, all of whom are Independent Non-Executive Directors.

The members of the NRC are as follows:

Chairman :	En Shazal - Senior Independent Non-Executive Director *(who replaced General Tan Sri Dato' Sri Hj Suleiman who vacated the office as director of the Company w.e.f 4 September 2019)*
Members :	Datin Seri Raihanah - Independent Non-Executive Director *(Appointed 17 May 2019)*
	Dato' Dr. Ghandhi - Independent Non-Executive Director *(Appointed 13 September 2019)*
	Mr Muk - Independent Non-Executive Director *(Resigned 7 April 2019)*
	Dato' Naresh - Independent Non-Executive Director *(Resigned 29 August 2019)*

The NRC shall be chaired by an Independent Director or the Senior Independent Non-Executive Director. This is contained in the Terms of Reference of the NRC.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

13. Annual assessment of the Directors, Board as a whole and Board Committees

The Board recognises the importance of assessing the effectiveness of individual Directors and the Board on an annual basis. During the financial year, the Board, through the NRC conducted a self-assessment on the performance of each individual Director and the Board as a whole. The review shall take the form of a questionnaire comprising a self-evaluation of the Board as a whole and the individual Directors, and the responses will be collected and collated by the Company Secretary, on behalf of the NRC.

The assessment of the Board by Individual Directors was based on specific criteria, covering areas such as the Board composition and structure, principal responsibilities of the Board and the Board Committees, the MD's performance and Board governance. There were no major concerns from the results of the assessments.

All the assessments and evaluations carried out by the NRC are minuted and its minutes are included in the Board papers for Board's notification. The Board is satisfied with the overall performance of the individual Directors, Board and Board Committees for the financial year under review.

All the Independent Directors provided the NRC with written confirmation on their independence during the annual assessment exercise conducted for the financial year ended 30 June 2019 as well as those who were newly appointed after the financial year ended 30 June 2019.

A Director who has no relationship with the Company, its related corporation, its major shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, is considered to be independent.

During the financial year, none of the Independent Directors disclosed any relationships and/or transactions that could materially interfere with their independent judgements and decisions. The independence assessment undertaken for the financial year has shown that all the Independent Directors have demonstrated their ability to act independently. The Board was satisfied with the level of independence of all the Independent Directors.

14. Summary of Activities Undertaken by the NRC in respect of Financial Year 2019

The NRC had discussed, inter alia, the following matters in respect of financial year 2019 :

(a) Reviewed and recommended the appointment of Datin Seri Raihanah which took effect on 8 April 2019.

(b) The NRC conducted annual assessment on the effectiveness of the Board and Committees covering areas such as Board structure and operation, management relationship with the Board, Board's role and responsibilities, the required mix of skills and experience of the Directors, time commitments, characters, experiences, integrity and competencies to effectively discharge the role as a Director for the financial year ended 30 June 2019 and reported the findings in the Board meeting.

Based on the assessment, the NRC noted that the Board and its Committees are considered to be fully effective and have the right composition and sufficient knowledge of related areas. Overall the quality of the individual Directors was considered acceptable and the Directors were found to possess the relevant qualifications, knowledge, experience and ability to understand the technical requirements, risk and management of the Company's business. In addition, the Directors have demonstrated a willingness to devote time and effort to the affairs of the Company while acting in good faith and with integrity at all times.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

14. Summary of Activities Undertaken by the NRC in respect of Financial Year 2019 (continued)

(c) Reviewed and assessed the independence of the Independent Directors through the Assessment of independence of Independent Directors under the annual Board evaluation process. Based on the evaluation results, the NRC concluded that each Independent Director has fulfilled the independence criteria set out in the MMLR and they continue to demonstrate their independence through their engagement in all meetings, providing objective challenge to the Management and bringing independent judgement to decisions taken by the Board. The Board was satisfied with the level of independence of all the Independent Directors.

(d) Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to the Company's Constitution at the forthcoming 50th Annual General Meeting ("AGM"). The Director standing for retirement by rotation and subject to re-election at the forthcoming AGM is En Azlan bin Abdullah.

(e) Reviewed the tenure of service for Independent Non-Executive Directors.

(f) Assessed and evaluated the independence of En Shazal, who had attained the tenure of nine (9) years on 30 May 2019 to support the resolution to be tabled for shareholders' approval at the forthcoming 50th AGM of the Company.

(g) Reviewed the terms of office and performance of the AGC and its members to determine whether the AGC and its members have carried out their duties in accordance with their terms of reference.

(h) Reviewed the remuneration policies applicable to Directors, MD/Executive Chairman and Senior Management.

(i) Reviewed the performance bonuses for the Executive Directors/Senior Management.

(j) Reviewed attendance of Directors at Board/Board Committees, to ensure compliance to minimum attendance requirement of Board meetings of not less than fifty percent (50%) of the total meetings held during the financial year.

Subsequent to the financial year ended 30 June 2019, the Committee had also reviewed and recommended the appointment of Mr Kwo Shih Kang and Dato' Dr. Ghandhi who were appointed to the Board with effect from 23 August 2019 and 3 September 2019 respectively.

15. Time Commitment of the Directors

The Board meets at least once on a quarterly basis to consider all matters relating to the overall control, business performance and strategy of the Company. Additional meetings will be called when and if necessary.

An annual meeting calendar is planned and agreed with the Directors prior to the commencement of each new financial which sets out the scheduled dates for meetings of the Board and Board Committees, in order to facilitate and foster the Directors' time planning and commitment to the Company.

During the annual Board evaluation, each Director was assessed whether he was able to devote adequate time and attention for Board meetings, Committee meetings and activities of the Company. Overall, the Board was satisfied with the commitment of all members of the Board and the time contributed by each of them.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

15. Time Commitment of the Directors (continued)

The Board met five (5) times during the financial year ended 30 June 2019. The attendance of each Director at the Board Meetings held during the financial year ended 30 June 2019 are as follows:

Executive Director	No. of Attendance	%
1. Tunku Dato' Yaacob Khyra (Executive Chairman)	5/5	100
Non-Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	5/5	100
2. En Azlan bin Abdullah	5/5	100
Independent Non-Executive Directors	**No. of Attendance**	**%**
1. En Shazal Yusuf bin Mohamed Zain	4/5	80
2. Mr Muk Sai Tat (Resigned 7 April 2019)	4/4	100
3. Dato' Indera Naresh Mohan (Resigned 29 August 2019)	4/5	80
4. General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (Vacated office w.e.f 4 September 2019)	2/5	40
5. Datin Seri Raihanah Begum binti Abdul Rahman (Appointed 8 April 2019)	1/1	100

Note: Mr Kwo Shih Kang was appointed on 23 August 2019 and Dato' Dr. Ghandhi was appointed on 3 September 2019 and therefore their attendance were not included in the table above which is in reference to the financial year ended 30 June 2019.

To fulfil Directors' roles and responsibilities, each Director should hold no more than five (5) directorships in listed corporations pursuant to Paragraph 15.06 of the MMLR. All Directors of the Company currently adhere to this requirement. All Directors are also required to provide immediate notification when accepting any new external board appointments and seek guidance from the Board Chairman on any potential conflicts of interest if necessary. Any changes to their directorships will be tabled at the quarterly Board meetings.

None of the Directors was absent for more than 50% of the total Board meetings held under the financial year under review, hence complying with Paragraph 15.05(3) of the MMLR of Bursa Securities except for General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) who had been unable to attend the meetings due to ill health. He had subsequently vacated his office as Director of the Company with effect from 4 September 2019.

16. Continuing Education and Training of Directors

The Directors are fully aware of the importance of keeping abreast with the latest changes and developments in the industries in which the Group operates as well as the economic, financial and governance issues in order to enhance the effectiveness in discharging their responsibilities as Directors.

All Directors have complied with the Continuous Training Programme prescribed by Bursa Securities. Every Director is encouraged to evaluate their own training needs and undergo continuous training to equip himself with enhanced knowledge and effectively contribute to the Board.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

16. Continuing Education and Training of Directors (continued)

The Directors have participated in conferences, seminars and training programmes, and during the financial year ended 30 June 2019, the following training programmes and seminars were attended by the Directors:

Members of the Board	List of Training Programmes/ Seminars/ Conferences Attended
Tunku Dato' Yaacob Khyra	➢ Sustainability Engagement Series for Directors/Chief Executive Officers. ➢ Anti-Corruption Legislation and Regulations. ➢ Board Evaluation. ➢ Digitalization.
En Azlan bin Abdullah	➢ Knowledge Sharing on Shariah Non-Compliance Risk Management – Issues & Challenges.
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	➢ Business Transformation Challenges-Shaping High Performance Organisations. ➢ Anti-Corruption Legislation and Regulations.
En Shazal Yusuf bin Mohamed Zain	➢ 2019 Malaysia Economic Strategic Outlook Forum.
Mr Muk Sai Tat	➢ Sustainability Engagement Series for Directors/Chief Executive Officers. ➢ MIA International Accountants Conference 2018. ➢ Business Transformation Challenges-Shaping High Performance Organisations. ➢ Would a Business Judgment Rule Help Directors Sleep Better At Night? ➢ 2019 Malaysia Economic Strategic Outlook Forum.
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	➢ Anti-Corruption Legislation and Regulations.
Dato' Indera Naresh Mohan	➢ Board Evaluation & Board Effectiveness Assessment 2018.
Datin Seri Raihanah Begum binti Abdul Rahman	➢ Cyber Security in the Boardroom.

Board meetings were held at locations within the Group's operating businesses to enable the Directors to obtain a better perspective of the businesses and enhance their understanding of the Group's operations.

In addition, the Directors were briefed by the Senior Management, Company Secretary, External Auditors and Internal Auditors on any updates or changes to the relevant guidelines on the regulatory and statutory requirements at Board Meetings and AGC Meetings.

17. Remuneration Policies and Remuneration of Directors and Senior Management

The Board recognises that the level and composition of remuneration of Directors and Senior Management should take into account the Company's desire to attract and retain the right talent in the Board and Senior Management to drive the Company's long-term objectives.

The Board has in place Procedure for determining the remuneration of the Directors, Executive Chairman/ Group MD/GCEO and Key Senior Officers and believes that the levels of remuneration offered by the Group are sufficient to attract directors of calibre with sufficient experience and talent to contribute to the performance of the Group.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

17. Remuneration Policies and Remuneration of Directors and Senior Management (continued)

The determination of remuneration packages of Executive Directors and Non-Executive Directors including Executive Chairman as well as Senior Management, should be a matter for the Board as a whole where the individuals concerned shall abstain from discussion of their own remuneration. All recommendations of the NRC are subject to endorsement of the Board.

As such, Procedures for determining the remuneration of Directors and Executive Directors as well as Senior Management was endorsed and approved by the Board on 30 May 2018 in line with the MMLR of Bursa Securities and MCCG 2017.

In compliance with the requirements of the Companies Act 2016, the fees and any benefits payable to Directors are subject to annual approval at general meetings. The process of reviewing and recommending matters relating to the remuneration of the Board is undertaken by the NRC.

The Non-Executive Directors are remunerated based on fixed annual Director's fees and fixed meeting allowances. All Non-Executive Directors are paid Directors' Fees of RM37,200 per annum each for serving as members of the Board. The Directors who serve on the AGC and RSC will also receive additional RM6,000 per annum for each committee that they serve in, in recognition of their commitment and additional time contributed. The Directors' fees are appropriate to their contribution, taking into consideration effort, commitment and time spent as well as the responsibilities of the Directors.

The Non-Executive Directors are paid a meeting allowance of RM500 for each meeting attended. The Executive Directors are not entitled to any meeting allowance.

Each of the Executive Director abstained from deliberating and voting on his/her own remuneration.

For the FY2019, the NRC had performed its duty to assess the remuneration package of its Executive Directors and Senior Management.

In addition, the NRC had also deliberated on the Directors' fees for the financial year ending 2020 which is subject to the shareholders' approval at the forthcoming AGM. Further to the deliberations, the NRC had reported to the Board its recommendation and findings.

Remuneration packages for Senior Management/Executive Directors are structured so as to link rewards to corporate and individual performance. The remuneration of Senior Management/Executive Directors includes salary, bonus, allowance and benefits-in-kind.

For the year 2020, the Board of Directors decided that the Directors' fees be maintained as the previous year for each Director and will recommend to the shareholders for approval at the forthcoming 50th AGM.

In addition, the Directors are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors and Officers of the MIG Group as their benefit, provided that such Director or Officer has not acted negligently, fraudulently or dishonestly, or is in breach of his/her duty of trust.

The relevant resolutions in relation to the Directors' fees and benefits payable to the Directors will be presented to the shareholders for approval at the forthcoming 50th AGM.

The Company notes that payments made to Executive Directors pursuant to a service contract need not be approved by shareholders as it is governed by Section 231 of the Companies Act 2016. As such, the Company will not be tabling any resolution on payment to Executive Directors at the Annual General Meetings of the Company.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

17. Remuneration Policies and Remuneration of Directors and Senior Management (continued)

The Detailed Remuneration of the Directors for the financial year ended 30 June 2019 is set out below:

Received from Company

Name	Salary (RM'000)	Bonus (RM'000)	Benefits in Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
Executive Director						
Tunku Dato' Yaacob Khyra	1,080	180	27.4	–	–	189
Non-Independent Non-Executive Directors						
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	–	–	1.5	37.2	3.5	–
Azlan bin Abdullah	251.9	27.5	12.9	14.3	1	122.5
Independent Non-Executive Directors						
Shazal Yusuf bin Mohamed Zain	–	–	1.5	49.2	7	–
Muk Sai Tat *(Resigned 7 April 2019)*	–	–	1.5	37.7	7.5	–
Datin Seri Raihanah Begum binti Abdul Rahman *(Appointed 8 April 2019)*	–	–	–	10.7	1.5	–
Dato' Indera Naresh Mohan *(Resigned 29 August 2019)*	–	–	1.5	49.2	7.5	–
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Vacated the office as director w.e.f 4 September 2019)*	–	–	0.3	49.2	5.5	–

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

17. Remuneration Policies and Remuneration of Directors and Senior Management (continued)

Received from Group

Name	Salary (RM'000)	Bonus (RM'000)	Benefits in Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
Executive Director						
Tunku Dato' Yaacob Khyra	300	50	45.6	–	–	52.5
Non-Independent Non-Executive Directors						
Azlan bin Abdullah	–	–	–	42.7	2.5	–
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	–	–	–	–	–	–
Independent Non-Executive Directors						
Shazal Yusuf bin Mohamed Zain	–	–	–	60	6	–
Muk Sai Tat *(Resigned 7 April 2019)*	–	–	–	46	5.5	–
Dato' Indera Naresh Mohan *(Resigned 29 August 2019)*	–	–	–	–	–	–
Datin Seri Raihanah Begum binti Abdul Rahman *(Appointed 8 April 2019)*	–	–	–	13.8	1.5	–
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Vacated the office as director w.e.f 4 September 2019)*	–	–	–	–	–	–

* Benefits in kind include company car, driver, club membership subscription and medical insurance benefits.

** Others include car allowance, provision for Directors' leave pay, travelling allowances and EPF.

Note: Mr Kwo Shih Kang and Dato' Dr. Ghandhi were only appointed to the Board on 23 August 2019 and 3 September 2019 respectively.

The remuneration of the Senior Management (excluding the Executive Director) in bands of RM50,000 is disclosed below:

Remuneration Bands	Number of Key Senior Management
RM500,001 to RM550,000	1
RM550,001 to RM600,000	1
RM650,001 to RM700,000	1
RM700,001 to RM750,000	1
RM750,001 to RM800,000	1
RM800,001 to RM850,000	1
RM850,001 to RM900,000	1

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

17. Remuneration Policies and Remuneration of Directors and Senior Management (continued)

In determining the remuneration packages of the Senior Management, factors that were taken in consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents.

The remuneration of the Senior Management which is a combination of annual salary, bonus and benefits-in kind are determined in a similar manner as other employees of the Company. The basis of determination has been consistently applied and is based on individual performance, the overall performance of the Company and benchmarked against other companies operating in similar industry.

The Board believes it may not be in its best interest to disclose the information on the remuneration on named basis of each member of the Senior Management, having considered the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Group's business activities.

Thus, the Company does not intend to adopt the recommendation to disclose the detailed remuneration of each member of Senior Management in bands of RM50,000 on a named basis.

The Board will continuously undertake a robust internal process to ensure that the remuneration of Senior Management is competitive and fair.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AGC

The Board established the Audit and Governance Committee ("AGC") since 15 April 1994. During the financial year, the AGC comprised four (4) members, all of whom are Independent Non- Executive Directors.

With the resignation of Mr Muk from the Board of Directors of the Company on 7 April 2019, En Shazal, who is an Independent Non-Executive of the Company was appointed as the Chairman of the AGC in place of Mr Muk.

With the appointment of Mr Kwo Shih Kang to the Board on 23 August 2019, the Board had unanimously agreed for Mr Kwo Shih Kang to be appointed as the Chairman of the AGC in place of En Shazal on 28 August 2019.

All three (3) gentlemen, Mr Muk, En Shazal and Mr Kwo Shih Kang are not the Chairman of the Board which therefore is in compliance with Practice 8.1 of MCCG 2017 which stipulates that the Chairman of the AGC is not the Chairman of the Board.

All AGC members are financially literate and the composition and their performance are reviewed by the NRC annually and recommended to the Board for approval.

The composition and summary of activities of the AGC during the financial year under review are disclosed in the AGC Report as set out on pages 82 to 91 of this Annual Report.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

2. Oversight of External Auditors by the AGC

The Company has established and maintained an appropriate and transparent relationship with the Company's External Auditors, PricewaterhouseCoopers PLT in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

During the financial year, the AGC had met the External Auditors twice without the Executive board members present. In compliance with Malaysian Institute of Accountants ("MIA") by-laws, the Audit Partners are rotated every seven (7) years to ensure objectivity, independence and integrity of the audit opinions. Such assurance was also given by the External Auditors in the Audit Plan and Audit Report presented to the AGC. The last audit partner rotation was in 2018.

The AGC had carried out the assessment on the level of service provided by the External Auditors against a set of assessment criteria that has been approved by the Board. The scope of assessment which is described in the Audit and Governance Committee Report in this Annual Report includes, amongst others, an assessment on the suitability, objectivity and independence of the External Advisors. All findings from the AGC are then reported to the Board for further action, if any.

The AGC was satisfied with the competence and independence of the External Auditors and had recommended the re-appointment of the External Auditors for shareholders' consideration at the forthcoming 50th AGM.

3. Qualification of the AGC

Collectively, the members of the AGC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the AGC. The qualification and experience of the individual AGC members are disclosed in the Directors' Profiles on pages 37 to 43 of this Annual Report.

Directors including the AGC members continue to undergo training periodically during the financial year, based on individual learning requirements as well as financial and corporate developments.

4. Establishment of Risk Management and Internal Control Framework

The Board undertakes overall responsibility for risk oversight and risk management. In view of this, the RSC has adopted a Risk Management Framework for the Group in 2005.

The objective of this framework is to provide guidance to the Group to facilitate a structured approach in identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the operating subsidiaries and business divisions to the holding company in a timely manner.

The internal audit activities of the Group are carried out according to an annual internal audit plan approved by the AGC. The internal audit function of the Company and the Group has been outsourced to an independent party, Messrs Deloitte Risk Advisory Sdn Bhd who reports directly to the AGC. The internal audit function is expected to meet the standard set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Details of the Company and the Group's internal control system and framework are set out in the Directors' Statement on Risk Management and Internal Control and Audit and Governance Committee Report contained in this Annual Report respectively.

None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

4. Establishment of Risk Management and Internal Control Framework (continued)

The internal auditors adopt a risk-based approach towards the planning and conduct of audits, which are consistent with the Group's framework in designing, implementing and monitoring its internal control system.

The internal audit function is guided by Internal Audit Charter which was approved by the AGC and Board of Directors on 30 May 2017. Audit engagement is focused on areas of priority according to their risk assessment and in accordance with the annual audit plans approved by the AGC.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication with Stakeholders

The Company has in place a Corporate Disclosure Policies and Procedures which sets out clear procedures on corporate disclosure, designated corporate disclosure officer and appointed spokespersons for the Company to ensure that material information disclosed by the Company is accurate, timely and complete. Clear roles and responsibilities of Directors, Management and employees are provided together with levels of authority provided to designated persons in handling and disclosing material information.

The Board is mindful of its obligation to provide timely and fair disclosure of material information to shareholders. Shareholders and investors are kept abreast of results and other material information concerning the Group through regular and timely dissemination of information which is made available at the Company's website at www.melewar-mig.com as well as Bursa Malaysia Securities Berhad's corporate website at www.bursamalaysia.com.

With General Tan Sri Dato' Sri Hj Suleiman vacating the office as Director with effect from 4 September 2019, the Board had unanimously agreed for En Shazal to be appointed as the Senior Independent Director to whom queries or concerns regarding the Group may be conveyed:

(i) En Shazal Yusuf bin Mohamed Zain can be contacted as follows:
Telephone number: +603-6250 6000 Facsimile number: +603-6257 1555
Email address: shazalyusuf@gmail.com

Queries or concerns regarding the Group may be also conveyed to the following persons:

(ii) Mr Choo Kah Yean (Chief Financial Officer, for financial related matters)
Telephone number: +603-5519 2455 Facsimile number: +603-5510 8618

(iii) Ms Lily Yin Kam May (Company Secretary, for shareholders' enquiries)
Telephone number: +603-6252 8880 Facsimile number: +603-6252 8080

2. Conduct of General Meetings

General Meeting serves as the principal platform for the Board and Management to engage with shareholders and encourage effective shareholders' communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests. The Company Secretary, by order of the Board, serve a notice of AGM to all shareholders of the Company at least 28 days prior to its forthcoming AGM to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the AGM.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

2. Conduct of General Meetings (continued)

If a member is unable to attend and vote in person at the General Meetings, the Company allows him/her to appoint proxies to attend and vote at the General Meetings on his/her behalf. A member may appoint any person, who may but need not be a member of the Company, to be his/her proxy without limitation and the proxy shall have the same rights as the member to speak at the General Meetings.

Notices of General Meetings, the related Circulars and the Annual Reports of the Company are sent to the shareholders in accordance with the regulatory and statutory provisions. Where special business items appear in the Notices of General Meetings, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on such resolution. The Notices of General Meetings are advertised in a national English newspaper within the prescribed deadlines.

All Directors attend the General Meetings. The Senior Management is also present at the General Meetings to respond to shareholders' queries addressed to them during the meetings. The external auditors and advisers of corporate exercises, where applicable, attend General Meetings upon invitation and are available to answer questions or clarify queries from shareholders relating to the subject matter.

In accordance with the MMLR, a summary of the key decisions and discussions arising from the AGM in November 2019 will also be posted on our website.

A press conference is normally held after each AGM and/or General Meeting of the Company to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries or areas of interest.

3. Encourage Poll Voting

Pursuant to Paragraph 8.29A of the MMLR of Bursa Securities, any resolution set out in the notice of any general meeting or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. At least one (1) independent scrutineer must be appointed to validate the votes cast at the general meeting.

The Company's General Meeting is not held in a remote location. At the previous AGM of the Company held on 29 November 2018, a poll voting was conducted on all resolutions as set out in the Notice of the 49th AGM and for the interest of all shareholders a summary of key matters discussed at the AGM was posted on the Company's website.

As for voting in absentia and remote shareholders' participation, the existing proxy form authorising proxies or Chairman of meeting is an alternative measure adopted by the Company.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Corporate Governance Overview Statement. The Board considers that the Statement on Corporate Governance Overview provides the information necessary to enable shareholders to evaluate how the Code has been applied. The Board has considered and is satisfied that the Company has fulfilled its obligation under the MCCG 2017, the MMLR of Bursa Securities and all applicable laws and regulations throughout the financial year ended 30 June 2019.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS

Other than those disclosed in the financial statements, there were no material contracts including contracts for any loans entered into by the Company and/or its subsidiaries involving the interests of the directors or chief executive who is not a director and major shareholder.

2. MATERIAL CONTRACTS RELATED TO LOAN

There were no material contracts related to loans entered into by the Company and/or its subsidiaries involving the Company's Directors and/or major shareholders' interests during the financial year under review.

3. AUDIT FEES

The amount of audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 30 June 2019 amounted to RM641,840 and RM213,700 respectively.

4. NON-AUDIT FEES

The amount of non-audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 30 June 2019 amounted to RM26,810 and RM13,650 respectively.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019

On 29 November 2018, the Company sought approval for a shareholders' mandate for MIG Group to enter into RRPTS (as defined in the Circular to Shareholders dated 31 October 2018) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the MMLR.

The aggregate value of transactions conducted during the financial year ended 30 June 2019 in accordance with the Shareholders' Mandate obtained at the last AGM were as follows:

OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

A. RRPTs with Melewar Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
1.	Trace Management Services Sdn Bhd ("Trace")	Provision of corporate secretarial services by the Related Party to Melewar Industrial Group Berhad ("MIG") and its subsidiaries ("MIG Group")	**Interested Directors** Tunku Dato' Yaacob Khyra ("TY") and Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY")	TY and TYY are deemed interested in Trace by virtue of their major interests in The Melewar Corporation Berhad ("TMC"), who in turn is the holding company of Trace; TMC is the family owned investment holding company.	Nil	385,114
2.	Trace	Office rental charged by MIG Group to the Related Party	**Interested Directors** TY and TYY	TY and TYY are deemed interested in Trace by virtue of their major interests in TMC, who in turn is the holding company of Trace; TMC is the family owned investment holding company.	Nil	135,672

Corporate Governance Overview Statement
(continued)

OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

B. RRPTs with MAA Group Berhad ("MAAG") and its subsidiaries, collectively

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2018 – 30/06/2019) RM
				Director	Major Shareholder	
1.	MAA Corporation Sdn Bhd ("MAA Corp")	Office rental charged by the Related Party to MIG Group	**Interested Director** TY **Interested Major Shareholders** Melewar Equities (BVI) Ltd ("MEBVI"), Melewar Khyra Sdn Bhd ("MKSB") and Khyra Legacy Berhad ("KLB")	TY is deemed interested in MAA Corp. TY is a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.	MAA Corp is a wholly owned subsidiary of MAAG whose ultimate Major Shareholder is KLB.	87,017
2.	MAA Corp	Office service charged by the Related Party to MIG Group	**Interested Director** TY **Interested Major** Shareholders MEBVI, MKSB and KLB	TY is deemed interested in MAA Corp. TY is a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.	MAA Corp is a wholly owned subsidiary of MAAG whose ultimate Major Shareholder is KLB.	20,081
3.	MAACA Legal Advisory Sdn Bhd (formerly known as MAA Corporate Advisory Sdn Bhd ("MAACA Legal Advisory")	Provision of corporate consultancy services by the Related Party to MIG Group	**Interested Director** TY **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MAACA Legal Advisory. TY is a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB.	MAACA Legal Advisory is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAG whose ultimate Major Shareholder is KLB.	Nil

OTHER BURSA SECURITIES COMPLIANCE INFORMATION (CONTINUED)

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

C. Financial assistance between MIG Group and the classes of related parties

Type of Financial Assistance	Related Party	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (1/07/2018 – 30/06/2019) RM
			Director	Major Shareholder	
Provision of financial assistance to the Group by the pooling of funds via a centralized treasury management function within the MIG Group on a short or medium term basis i.e. for a duration not exceeding three (3) years.	MIG Group	**Interested Director** TY **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the Major Shareholders of MIG.	Nil	Nil
Provision of corporate guarantee to financial institutions, as and when required, to secure the continuing trade facilities extended to direct and indirect subsidiaries.	MIG Group	**Interested Director** TY **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEBVI and MKSB who are the Major Shareholders of MIG.	Nil	Nil

Corporate Governance Overview Statement
(continued)

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Companies Act 2016 ("the Act") requires the Directors to cause the preparation of the financial statements for each financial year in accordance with the requirements of the Act and applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year. Where there are new accounting standards or policies that become effective during the financial year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

The Board has received assurance from the Chief Financial Officer that the financial records have been properly maintained and the financial statements for the financial year ended 30 June 2019 give a true and fair view of the Company's operations and finances; and of the effectiveness of the Company's risk management and internal control systems. In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies which were consistently applied;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- considered the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operations for the foreseeable future.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the requirements of the Act.

The Directors have also taken such steps as are reasonably available to safeguard the assets of the Group, and to prevent fraud and other irregularities.

Statement on Risk Management and Internal Control

INTRODUCTION

Pursuant to Rule 15.26(b) of the Listing Requirements of Bursa Securities and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board is pleased to present the Statement on Risk Management and Internal Control ("Statement") which outlines the governance policies, key elements, nature and scope of risk management and internal control of the Group during financial year ended 30 June 2019.

BOARD RESPONSIBILITY

The Board reaffirms its overall responsibility for the Group's system of internal controls, including an assurance of its adequacy, integrity, and its alignment with business objectives. The Board is also of the view that, the risk management framework and internal control system in place are designed and have the capacity to manage the Group's risks within the accepted risk appetite thresholds. The Board does not claim nor believe that the controls will totally eliminate the risks emanating from the exercise of poor judgement in decision making, human error, deliberate circumvention of control processes by employees, and unforeseeable circumstances. It can therefore only provide reasonable, rather than absolute assurance against material misstatement, fraud or loss.

Whilst the Board has the ultimate responsibility for the Group's risk management and internal control systems, it has delegated the immediate oversight and implementation of these internal controls to the Management who make regular submissions to the Audit and Governance Committee ("AGC") and Risk and Sustainability Committee ("RSC") on the status of actions taken to mitigate and/or minimize identified risks.

The risk management and internal control system is subject to the Board's regular review via the independent Internal Audit function with a view towards appraising and ascertaining the relevancy, adequacy and effectiveness of the controls in place in key operational and business areas as identified in the annual Audit Plan.

From time to time, the Board receives assurances from the Heads or the Chief Executive Officers ("CEO") of the operating subsidiaries and the Chief Financial Officer ("CFO") on the efficacy of the risk management and internal control system and that it sufficiently safeguards the interests of the Group.

RISK MANAGEMENT

The main components of the Group's risk governance and structure consists of the Board, the AGC and the RSC. The adequacy and effectiveness of risk management and internal controls are reviewed by the AGC and RSC through internal audits conducted. The internal audits are outsourced to external service provider, Messrs Deloitte Risk Advisory Sdn Bhd ("Deloitte"). Internal control issues as well as actions taken by Management to address these issues are tabled by the outsourced service providers for deliberation during the AGC meetings.

The Group has also in place Standard Operating Policies and Procedures for its main business highlighting the control objectives, policies, procedures, authority and responsibility. Each business unit and their supporting departments have implemented its own control processes under the leadership of the Executive Chairman/Managing Director, who is responsible for business and regulatory governance.

CEO of the operating subsidiaries, Division Heads and Departmental Heads are responsible for identifying, assessing and managing the risks of their respective business units, operational units and departments. The specific business risks identified encompasses risks on finance, operations, regulatory compliance and cyber security, including respective internal controls in place to manage the risks. It assures the Board that the Group's risks are effectively managed based on the Risk Management Framework adopted by the Group and the Internal Controls System are operating adequately and effectively, in all material aspects.

On a quarterly basis, Management reports to the AGC and RSC on all risk areas faced by the Group and findings identified from the internal audit reviews conducted by Deloitte as well as the actions taken by the Management to address those high risks areas and audit findings. Minutes of the meetings of the AGC and RSC which recorded these deliberations were presented to the Board.

Statement on Risk Management and Internal Control
(continued)

RISK AND SUSTAINABILITY COMMITTEE

The RSC was established by the Board on 18 December 2003. The members of the RSC as at the date of this Annual Report are as follows:

Chairman : En Shazal Yusuf bin Mohamed Zain

Members : Datin Seri Raihanah Begum binti Abdul Rahman
(Appointed 17 May 2019)

Mr Kwo Shih Kang
(Appointed 28 August 2019)

General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
(Vacated the office as director with effect from 4 September 2019)

Dato' Indera Naresh Mohan
(Resigned 29 August 2019)

Mr Muk Sai Tat
(Resigned 7 April 2019)

During the financial year ended 30 June 2019, four (4) RSC meetings were held. The details of attendance of each Committee member are as follows:

Name of Committee Members	Total Meetings attended
Shazal Yusuf bin Mohamed Zain (Chairman, Senior Independent Non-Executive Director)	3/4
Datin Seri Raihanah Begum binti Abdul Rahman (Independent Non-Executive Director) *(Appointed 17 May 2019)*	1/1
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Vacated the office as director with effect from 4 September 2019)*	1/4
Dato' Indera Naresh Mohan (Independent Non-Executive Director) *(Resigned 29 August 2019)*	3/4
Muk Sai Tat (Independent Non-Executive Director) *(Resigned 7 April 2019)*	3/3

Note: Mr Kwo Shih Kang was only appointed on 28 August 2019 and therefore his attendance was not included in the table above which is in reference to the financial year ended 30 June 2019.

RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an ongoing process for identifying, assessing and responding to risks to achieve the objectives of the Group for the financial year under review. The process is in place for the period under review and up to the date of issuance of this Statement.

The RSC had formally adopted a Risk Management Framework for the Group in 2005. The objective of this framework is to provide guidance to the Group to facilitate a structured approach in identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the operating subsidiaries and business divisions to the holding company in a timely manner.

RISK MANAGEMENT FRAMEWORK (CONTINUED)

The roles of the Board of Directors, RSC and the respective Heads of Division/Department are well defined under the framework with clear lines of accountability. Management is responsible for the identification and evaluation of the key risks applicable to their areas of business units/segments on a continuous basis. The Group recognises that Risk Management involves a structured approach, combining the efforts of all functions within the Group, to minimise the possibility and impact of unexpected damages so as to contribute towards greater efficiency and better decision making.

The RSC will assist and coordinate the implementation of the risk management programme for the Group. The implementation of the risk management programme will provide a consistent approach and guideline in managing the Group's significant risk exposures. It has been a practice for the RSC to invite the relevant Heads of Division/ Department to attend the RSC Meetings, where appropriate.

The business interests are operated by the subsidiaries of the Group. Management of the day-to-day affairs of the Group's various subsidiaries are assigned to local management, comprising Operating Officer/Chief Commercial Officer of the main operating companies, who are accountable for the conduct and performance of their subsidiaries within agreed business strategies. Local management sits at various management and operations meetings, and review financial and operations reports, in order to monitor the performance and profitability of the business of their respective subsidiaries. Paramount to this process is the role played by the Group's Executive Directors and Senior Management personnel who, by virtue of their presence on the Boards of both listed and unlisted subsidiaries of the Group, supervise the subsidiaries' activities, and regularly update the Board of Directors of the Company.

The framework is reviewed and revised as and when necessary to ensure it remains relevant and adequate to manage the MIG Group's risks, which continue to evolve along with the changing business environment.

INTERNAL CONTROL

The key elements of the Group's system of internal controls that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system during the financial year ended 30 June 2019 are summarised as follows:

1. **Authority and Responsibility**

   (a) Responsibilities are delegated to Board Committees through clearly defined Terms of Reference ("TOR") which are reviewed and revised when necessary. The TOR was last reviewed and updated on 30 May 2018.

   (b) The Group has a clear organisation structure with well-defined lines of reporting and appropriate levels of responsibility.

   (c) The Authority Limits is reviewed and revised when necessary to reflect the authority and authorisation limits of Management.

INTERNAL CONTROL (CONTINUED)

2. Internal Control Procedures

To ensure the uniformity and consistency of practices and controls within the Group, Internal Control Procedures (ICPs) have been formalised and documented which were endorsed by both the Management and the Board which cover:

- Internal Control Procedure
- Petty Cash Procedure
- Motor Vehicle Expenses Reimbursement Procedure
- Company Car Maintenance Procedure
- Outstation Travel Requisition & Reimbursement Procedure
- Entertainment Reimbursement Procedure
- Hand Phone Expenses Reimbursement Procedure
- Capital Asset Acquisition Procedure
- Capital Asset Disposal Procedure
- Investment Procedure
- Credit Control Procedure
- Procurement Procedure / Raw Material Purchase and Sub-Contractor Procedure
- Sub-raw Materials, Tooling, Hardware, Consumable, Equipment, Fuel, Lubricants, and Miscellaneous Items Purchase Procedure
- Sales Procedure
- Internal Security Procedure
- Whistle-Blowing Policy
- Intercompany Transactions/Loans/Advances Procedure
- FX Risk Management
- Manual Journal Transaction Procedure
- Employee Advance Control Procedure
- Miscellaneous Payment Procedure
- Tendering Procedure
- Tendering Evaluation Procedure
- Project Reporting Procedure
- Inbound Job Contracts

The ICPs are subject to review on a regular basis along with the internal audit review of the selected area of operations.

3. Policies and Procedures

Operational policies and procedures are formalised to serve as a guiding principle to all employees within the Group for their day to day activities and to ensure compliance with internal controls and relevant laws and regulations. The policies and procedures are documented in the ICPs and are reviewed and updated when applicable.

The manufacturing subsidiaries that implement risk-based ISO 9001:2015 Quality Management System ("QMS") benefit from determining the risks and opportunities, planning actions to address them, implementing them in QMS and evaluating their effectiveness to ensure their products or services are consistently meeting customer requirement and expectation. The QMS is reviewed quarterly to maintain its relevancies to meet changes in business, operational and statutory needs.

INTERNAL CONTROL (CONTINUED)

4. Internal Audit Function

The internal audit function plays a role to provide some comfort to the Board on the adequacy and effectiveness of the risk management practices of the Group by adopting a risk-based approach and focusing on the key risks areas to determine the auditees and auditable areas.

Audit issues and actions taken by the Management to address the shortcomings raised by Deloitte were deliberated and accepted during the AGC meetings. Additionally, the AGC also reviewed the implementation progress of the corrective action plans committed by the Management for all key findings and recommendations highlighted in the previous Internal Audit Reports until the corrective actions were implemented appropriately and as committed. Minutes of the AGC meetings which recorded these deliberations and decisions were subsequently presented to the Board for notation.

5. Risk Management Process

As part of the Risk Management process, the Company adopted the implementation of a Risk Register with which the principal business risk is identified and regularly updated to reflect on-going changes in the risk profile.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

For the financial year under review and up to the date the of issuance of this Statement, the Management continues to monitor all major risks affecting the Group and the necessary measures to mitigate or minimise them as well as continue to enhance the adequacy and effectiveness of the risk management and internal control system of the Group mainly focusing on strategic, financial, operational and compliance aspect.

The Board has received assurance from the Heads or CEO from the various operating subsidiaries and the Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management adopted by the Group and the declarations made by the respective Heads of each Division. To the best of knowledge, nothing has come to the attention of the Executive Directors, CFO and the Management which may render the financial results presented and the information provided to be misleading in any material respect.

The Board is of the view that the risk management and internal control system of the Group is adequate and effective to safeguard the shareholders' investments, Group's assets and the interests of other stakeholders. There were no adverse compliance events or material control failures that could cause material losses to the Group. Nevertheless, taking into account the rapid changing environment and circumstances, the Board continues to evaluate and take precautionary measures and steps to further strengthen the control environment.

Audit and Governance Committee Report

The Board of Directors ("Board") of Melewar Industrial Group Berhad ("MIG" or "the Company") is pleased to present the Audit and Governance Committee Report including a summary of the activities of the Audit and Governance Committee ("AGC") which provides insights into the manner in which the AGC discharged its function for the Group for the financial year ended 30 June 2019.

The AGC is an independent Board Committee which assists the Board of MIG in the discharge of its responsibilities for corporate governance, internal controls and financial reporting.

TERMS OF REFERENCE

The Terms of Reference ("TOR") of the AGC are aligned with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and recommendations of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). The TOR will be revised accordingly, to cater for changes, if any.

Practice 8.2 of the MCCG 2017 requires the Audit Committee to have a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as member of the Audit Committee.

The AGC had amended its Terms of Reference to reflect the requirements in Practice 8.2 of the MCCG 2017.

The TOR of the AGC is available at the Company's website at www.melewar-mig.com.

COMPOSITION

As at the date of this Annual Report, the AGC comprises of three (3) members, all of whom are Independent and Non-Executive Directors in compliance with the requirements of Paragraph 15.09(1)(a) and (b) of the MMLR of Bursa Securities. No Alternate Director is appointed as a member of the AGC.

The current composition of the AGC, their respective designations and directorate are as follows:

Designation	Name	Directorship
Chairman	Mr Kwo Shih Kang *(Appointed 28 August 2019)*	Independent Non-Executive Director
Members	En Shazal Yusuf bin Mohamed Zain *(Redesignated to Member on 28 August 2019)*	Senior Independent Non-Executive Director
	Datin Seri Raihanah Begum binti Abdul Rahman *(Appointed 8 April 2019)*	Independent Non-Executive Director
	General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Vacated the office as director with effect from 4 September 2019)*	Independent Non-Executive Director
	Dato' Indera Naresh Mohan *(Resigned 29 August 2019)*	Independent Non-Executive Director
	Mr Muk Sai Tat *(Resigned 7 April 2019)*	Independent Non-Executive Director

COMPOSITION (CONTINUED)

During the financial year, the Chairman of the AGC were held by:

(i) Mr Muk Sai Tat (from 1 July 2018 to 7 April 2019)
(ii) En Shazal Yusuf bin Mohamed Zain (from 8 April 2019 to 28 August 2019)
(iii) Mr Kwo Shih Kang (from 28 August 2019 to present)

All three (3) Chairman are Independent Non-Executive Directors, and are not the Chairman of the Board.

Subsequently, on 28 August 2019, Mr Kwo Shih Kang was appointed Chairman of the AGC, in place of En Shazal Yusuf bin Mohamed Zain, who was redesignated from Chairman of the AGC to Member of the AGC.

The Chairman of the AGC, Mr Kwo Shih Kang, is a graduate from CASS Business School, London with a Master of Business Administration, majoring in Finance. He is also a Fellow of the Society of Actuaries, USA. Mr Kwo Shih Kang is a Registered Financial Planner.

The Company is therefore in compliance with Paragraph 15.09(1)(c) of the MMLR of Bursa Securities. The Directors' profiles are set out on pages 37 to 43 in the Annual Report.

All members of the AGC are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the AGC.

MEETINGS AND ATTENDANCE

The AGC shall meet at least four (4) times annually or more frequently as circumstances dictate. The Chief Executive Officers of the operating subsidiaries were invited to all AGC meetings to provide further clarification on the operations of the Groups, the risk management and internal control system. The Chief Financial Officer ("CFO") attended all meetings of the AGC to present all financial results and to clarify any issues relating to financial reporting. Other Board members, employees, a representative of the External Auditors and Internal Audit Consultants attended meetings upon the invitation of the AGC.

The Company Secretary shall be the secretary to the AGC. Minutes of each AGC meeting are recorded and tabled for confirmation and approval at the following meeting and subsequently presented to the Board for notation. The AGC Chairman also conveys to the Board key matters deliberated at the AGC meetings and matters of significant concerns as and when raised by the External or Internal Auditors.

During the financial year ended 30 June 2019, five (5) AGC meetings were held. The details of attendance of each Committee member are as follows:

Members	No. of Meetings Attended	%
En Shazal Yusuf bin Mohamed Zain	4/5	80
Dato' Indera Naresh Mohan *(Resigned 29 August 2019)*	4/5	80
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Vacated the office as director with effect from 4 September 2019)*	2/5	40
Datin Seri Raihanah Begum binti Abdul Rahman *(Appointed 8 April 2019)*	1/1	100
Mr Muk Sai Tat *(Resigned 7 April 2019)*	4/4	100

Note: Mr Kwo Shih Kang was appointed on 28 August 2019 and therefore his attendance was not included in the table above which is in reference to the financial year ended 30 June 2019.

Audit and Governance Committee Report
(continued)

MEETINGS AND ATTENDANCE (CONTINUED)

The AGC meetings of the Company were convened with proper notices and agenda and these were distributed to all members of the AGC about five (5) days before the meetings. At the meeting, matters to be addressed by Management raised at the meetings are issued by the Company Secretary on the decisions made and action required. These are then circulated to Management for their onward action. The minutes of each AGC meeting were recorded and tabled for confirmation at the next AGC meeting and tabled at the Board meeting for the Directors' notation and decision, where required.

The External Auditors were also invited to present to the AGC the audit plan, the audit findings, the independent auditors' report as well as any other matters which they considered were important for the AGC's attention. During the financial year under review, the AGC had conducted two (2) private meetings with the External Auditors, to give opportunity to the External Auditors to raise any matters without the presence of the executive board members and the Management.

Other Senior Management staff may be invited to attend certain AGC meetings if so required, requested or invited by the Chairman of the Committee to seek clarification on audit issues and facilitate direct communication as well as to solicit information in relation to the operations of the Company. Conversely, the External Auditors and Internal Auditors may also respectively request a meeting with the AGC if they consider it necessary.

The Nomination and Remuneration Committee ("NRC") had on 28 August 2019 reviewed the terms of office and performance of the AGC members. The Board, through its NRC, reviewed the performance of the AGC and the skills, experience and competencies possessed by the members of the AGC through an annual AGC effectiveness assessment.

The Board was satisfied with the performance of the AGC and its members based on the assessment carried out.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2019

In line with the TOR, the AGC held five (5) meetings during the financial year and carried out the following activities:

Financial Reporting	(a) The AGC reviewed the unaudited quarterly financial results and audited financial statements of the Group with the aim to ensure that the interim financial reports and financial statements were prepared in accordance with the approved Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs"), the Companies Act 2016 and other statutory requirements. In reviewing the interim financial report, the CFO provided explanations on the analysis of the quarterly results and major variances. The AGC was also briefed on the Group's business operations, factors affecting the Group's performance and market outlook. (b) Sought clarification from Management especially from the CFO of the Group on the following information for better understanding of the overall state of the financial position of the Company: ➢ Performance of the key divisions of the Company including the variations and contributing factors to the performance; ➢ Foreign exchange exposure; ➢ Cash flow position of the Group with specific details on the compliance to the financial covenants with the various financial institutions who had granted facilities to the Group; ➢ Position of the gearing ratio of the Company. (c) Reviewed the key audit matters highlighted in the auditors' report based on auditors' professional judgement which were considered as most significant in their audit of the financial statements of the Group and of the Company for the current financial year.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2019 (CONTINUED)

Financial Reporting (continued)	(d) Reviewed and ascertained that the audited annual financial statements do not contain any misstatement of transactions and the auditors are in a position to issue an unqualified opinion on the matter of truth and fairness of the financial performance and the financial position of the Company and of the Group. (e) The AGC discussed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements in particular with regards to MFRS 16 "Leases".
External Audit and Interim Review	(a) Discussed with the External Auditors on their annual audit plan, nature and scope of audit focus on key risk areas as well as audit procedures, prior to the commencement of audit. (b) Reviewed the External Auditors' annual audit report and accompanying reports to management, reports of their other examinations and management letters on internal control matters, including management's response and the level of co-operation given by employees to the External Auditors. (c) Evaluated the External Auditors' independence, objectivity and terms of engagement before recommending their re-appointment and remuneration. In ensuring independence, the AGC :- - took into consideration the criteria stipulated under Paragraph 15.21 of the MMLR when deciding on the External Auditors. - ensured audit partner responsible for external audit of MIG is subject to rotation at least every seven (7) financial years in accordance with the MIA By-Laws which requires that the engagement partner involved in the external audit should not remain in a key audit role beyond seven (7) years. The last audit partner rotation was in 2018. (d) Discussed problems and reservations arising from the interim and final external audits, and any matters the External Auditors may wish to discuss in the absence of Management. (e) Reviewed with the External Auditors the Statement on Risk Management and Internal Control which provides an overview of the state of internal controls and risk management within the Group and also the AGC's Report prior to the Board's approval for inclusion in the Annual Report. (f) Received updates on the statutory and regulatory requirements including the implementation of the accounting standards applicable in the preparation of financial statements and their implications on the financial statements. (g) Assessed the suitability and independence of External Auditors and obtained written assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants as well as other regulatory requirements. (h) Conducted two (2) private sessions with the External Auditors, without the presence of Executive Directors and Management, to review the adequacy and effectiveness of the system of internal control and any other areas of concern arising from their interim and final audit. No major concerns were raised by the External Auditors.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2019 (CONTINUED)

Internal Control and Internal Audit	(a) Reviewed and approved the Internal Audit Consultants' Annual Internal Audit Plan and ensured principal risks, key entities, scope and functions were adequately identified and covered in the plan. (b) Reviewed and evaluated the overall adequacy and effectiveness of the risk management and Group's internal control system on a quarterly basis through review of results of work performed by Internal and External Auditors and discussions with the Management. (c) Reviewed the internal audit reports presented by the Internal Audit Consultants at each AGC meeting and their activities with respect to: ➢ Status of audit activities as compared to the approved Annual Audit Plan. ➢ Monitored the outcome of the audits, follow-up, investigation to ascertain all action plans were adequately implemented to address the key risks. ➢ Adequacy of Management's responsiveness to the audit findings and recommendations. ➢ Adequacy of audit resources of the Internal Audit Consultants. ➢ Reviewed and monitored the implementation status of the audit recommendations made by the auditors to ensure that key risks and controls have been addressed. This includes any improvement on the system of the internal controls and procedures. ➢ Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function. ➢ Reviewed and recommended to the Board the re-appointment of the external service provider for internal audit services. (d) Reviewed and debated on the recommendations made by the Internal Audit Consultants on the auditable areas where further improvements are required with subsequent recommendation to the Board the steps to improve the system of internal control derived from the findings of the Internal and External Auditors. (e) Reviewed and discussed the steps to address the issues in relation to the Tanjung Bin Project and Terengganu Silica Project undertaken by Melewar Integrated Engineering Sdn Bhd ("MIE") including: ➢ The cashflow and funding resources for the completion of the projects; ➢ Regular updates on the progress of the projects.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2019 (CONTINUED)

Corporate Governance	(a) Reviewed and monitored the disclosure of related party transactions and any conflict of interest situation and questionable transactions to ensure compliance with the MMLR and that they were not more favourable to the related parties than those generally available to the public and were not detrimental to minority shareholders. (b) Reviewed the following draft Statement/Circular to Shareholders and recommended the same to the Board for approval: (i) Proposed share buy-back of up to ten percent (10%) of the total number of issued shares of the Company subject to the Company fulfilling the conditions for the share buy-back; (ii) Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Provision of Financial Assistance; and (iii) Proposed adoption of New Constitution of the Company. (c) Reviewed the AGC Report, Corporate Governance Overview Statement, Corporate Governance Report, Board's responsibility on the Statement on Risk Management and Internal Control and other relevant documents for publication in the Company's Annual Report.
Rights Issue with Warrants	During the financial year 2019, the Group undertook a fund raising exercise through the issuance of renounceable rights issue of 225,522,808 new ordinary shares on the basis of one (1) Rights Share for every one (1) MIG Share together with 112,761,404 free detachable warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed at an issue price of RM0.20 per right share ("Rights Issue with Warrants"). The Company issued and listed 133,894,895 new ordinary shares and 66,947,418 Warrants pursuant to its Rights Issue with free Warrant exercise. The Company completed its Rights Issue with Warrant exercise on 24 August 2018.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Internal Audit ("IA") function of the Group was outsourced to an independent external professional firm, Deloitte Risk Advisory Sdn Bhd ("Deloitte"). Deloitte reports directly to the AGC and assists the Board in monitoring the risks and reviewing the internal controls system to ensure a sound internal control system is established and continue to function effectively and satisfactorily within the Group.

The IA function adopts a risk based audit methodology, which is aligned with the risks of the Group to ensure that the relevant control addressing those risks are reviewed on timely basis. As part of the audit work, the IA function would review the adequacy and effectiveness of the internal control system, compliance with rules, regulations, policies and procedures and also evaluates efficiency of key business processes.

These processes provide reasonable assurance that such internal control system would continue to operate satisfactorily and effectively in the Group.

The Internal Audit Consultants submits the internal audit report with audit findings and recommendations on areas of concern to the AGC for its review and deliberation on a quarterly basis.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (CONTINUED)

During the financial year ended 30 June 2019, the Internal Audit Consultants had carried out a review on the Group's policies, procedures, processes and controls covering the following areas based on the approval audit plan 2018/2020:

Companies	Key Areas	Activities
• Melewar Integrated Engineering Sdn Bhd ("MIE") • Mycron Steel CRC Sdn Bhd ("MSCRC") • Melewar Steel Tube Sdn Bhd ("MST") • Silver Victory Sdn Bhd ("SVSB")	Revenue Recognition, Billing, Collection and Credit Controls	• Reviewed the billing and collection internal control procedure and identified areas of improvement where applicable. • Reviewed the compliance on the debt collection internal control procedure. • Reviewed the accuracy and timeliness of revenue recognition. • Assessed the adequacy of revenue collection process and whether all collections have been received in a timely manner. • Reviewed the governance over any discount or rebates given to the customers. • Assessed the controls over revenue collection, closing process and recognition of revenue within the system. • Reviewed the monitoring process for debtors aging and collection process. • Reviewed the controls and validity for any debtors' provision made. • Reviewed the adequacy of tracking, segregation of duties, disbursement and monitoring of petty cash management.
• MIE • MSCRC • MST	Inventory and Warehouse Management	• Compliance with established policies and procedures in relation to inventory and warehouse management. • Compliance with approved Limits of Authority in relation to transactions related to inventory (i.e. stock adjustment, stock write-off, disposal and scrap, etc.). • Adequacy of internal control procedures and supporting documents for stock movements (i.e. incoming /outgoing of materials, work in-progress and finished goods). • Reviewed the internal control procedures for the classification and disposal of scrap materials. • Monitoring and recording of inventory disposal / scrap, write-off and materials waste. • Monitoring and recording of material variances (i.e. excess / shortage of materials issuance from the warehouse to production). • Recording and recognition of inventory in inventory system. • Monitoring of stock ageing and identification of slow-moving and non-moving inventory. • Reviewed control over traceability and location monitoring of materials and finished goods. • Reviewed adequacy of warehouse security and safeguarding controls. • Reviewed sufficiency of insurance coverage for inventories.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (CONTINUED)

Companies	Key Areas	Activities
• MSCRC • MST	Production Operations	• Reviewed the internal control procedures pertaining to production within the production line/ facility and identified any areas of improvement within the internal control procedure where applicable. • Usage of raw materials and utilities during the production time and assessed the trend of the variances on the usage. • Factory production planning and actual monthly output generated and analysis on any variances. • Reviewed production schedule planning, monitoring and reporting process. • Reviewed actual tracking of output from production line to inventory. • Production output analysis by comparing actual production against targeted production. • Reviewed production downtime monitoring and reporting. • Analysed factory production planning versus actual monthly production output. • Reviewed timeliness of updating finished goods produced in the ERP system. • Reviewed the ISO audit report issued by the SIRIM Auditor.
MST	Occupational Health, Safety, Security and Environment	• Reviewed the internal control procedures pertaining to occupational health, safety, security and environment to identify any areas of improvement, where applicable. • Reviewed the results of safety audit and safety reports conducted by the Safety Officer. • Reviewed the incident reporting process in Factory 1 to Factory 3.
MIE	Fixed Assets Management	• Reviewed the compliance with established policies and procedures in relation to fixed assets management. • Reviewed the compliance with approved Limits of Authority in relation to transactions related to assets (i.e. purchase of assets, adjustments, depreciation, etc.). • Reviewed the adequacy of internal control procedures and supporting documents for assets movements (i.e. incoming / outgoing of assets) • Reviewed the internal control procedures for the disposal of assets. • Reviewed the adequacy of security and safeguarding controls for assets. • Reviewed the insurance coverage for assets.

Audit and Governance Committee Report
(continued)

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (CONTINUED)

Companies	Key Areas	Activities
MIE	Follow up Review on Project Management (Tanjung Bin Project and Terengganu Silica Project)	• Reviewed the enhancement on the Pre-Project Management Process. • Reviewed the enhancement to the MIE Internal Control Procedures ("ICP") for Pre-Project and Project Implementation. • Reviewed the enhancement to the Procurement Process. • Reviewed the Safekeeping of Procurement Documents. • Reviewed the establishment of Progress Claims and Payment Process within the MIE ICP. • Reviewed the enhancement to the Contract Management. • Reviewed the enhancement required for the Project Progress Claims and Payment Process. • Reviewed the enhancement to the Consultant Progress Claims Process. • Reviewed the enhancement to the Management of Foreign Currency.
Ausgard Quick Assembly Systems Sdn Bhd ("AQAS")	Contract Management	• Reviewed the internal control procedures pertaining to contract management and identified any areas of improvement, where applicable. • Reviewed AQAS' contract management and contract fulfilment processes. • Reviewed the cost comparison of AQAS' project. • Reviewed the tendering process prior to awarding the contract to the sub-contractor.
• Melewar Industrial Group ("MIG") • MIE • Mycron Steel Berhad ("MSB") • MST • MSCRC	Information Technology ("IT") Governance Review	• Reviewed compliance with the established policies and procedures in relation to information system management. • Reviewed security administration controls. • Reviewed IT helpdesk management. • Reviewed user access controls and authorisation. • Reviewed segregation of administrative duties for IT – administrators and support IT personnel. • Reviewed back-up and test restoration processes. • Reviewed back-up data media management.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (CONTINUED)

Companies	Key Areas	Activities
MIE	Procurement to Payment Management	• Reviewed the existence and completeness of internal control procedures in relation to procurement and payment. • To ascertain the existence of limits of authority in approving the purchasing transactions. • To ascertain whether all purchases and payments are approved in accordance with the limits of authority. • Reviewed the controls over the urgent/emergency purchases (i.e. with valid and documented justification and approval). • Reviewed the controls over the selection and appointment of vendors or sub-contractors (i.e. quotations, vendor assessment and approval of new vendors). • Reviewed the vendor master file maintenance process (i.e. maintenance and update of vendors' master data). • Assessed the controls for procurement activities, (i.e. issuance of the Purchase Requisition, price comparison, Purchase Order/blanket Purchase Order, etc.). • Analysed the turnaround time of procurement activities and circumvention of authority limits. • Reviewed the controls in payment processing to vendors (accounts payable).

The AGC had noted the overall findings covering the above auditable areas as well as the recommendations made by the Internal Audit Consultants on the areas where further improvements were required.

The AGC had noted the overall findings covering the above auditable area and was generally satisfied with the results of the audit.

The costs incurred in respect of the internal audit reviews performed by the professional services firm was RM78,200 for the financial year ended 30 June 2019.

Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tunku Dato' Yaacob Khyra
Azlan bin Abdullah
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Shazal Yusuf bin Mohamed Zain
Datin Seri Raihanah Begum binti Abdul Rahman (Appointed on 8 April 2019)
Kwo Shih Kang (Appointed on 23 August 2019)
Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram (Appointed on 3 September 2019)
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (Vacated office on 4 September 2019)
Muk Sai Tat (Resigned on 7 April 2019)
Dato' Indera Naresh Mohan (Resigned on 29 August 2019)

In accordance with Article 113(1) of the Company's Articles of Association, Azlan bin Abdullah is to retire by rotation from the Board at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

In accordance with Article 120 of the Company's Articles of Association, Datin Seri Raihanah Begum binti Abdul Rahman, Kwo Shih Kang and Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram are to retire at the forthcoming Annual General Meeting.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of property investment and investment holding. The principal activities of its subsidiaries are in mid-stream steel cold rolled coil and steel tube manufacturing, and in engineering services as disclosed in Note 15 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group	Company
	RM	RM
Net profit/(loss) for the financial year	27,614,856	(30,756,915)
Attributable to:		
- Equity holders of the Company	30,757,145	(30,756,915)
- Non-controlling interests	(3,142,289)	–
Net profit/(loss) for the financial year	27,614,856	(30,756,915)

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has on 20 August 2018 allotted and issued 133,894,895 new ordinary rights shares together with 66,947,418 free detachable warrants, representing a subscription rate of 59.37% over the total number of rights shares available for subscription under the 1-for-1 rights issue with 1 free warrant for every 2 rights shares subscribed 'Rights issue with warrant' exercise. These rights shares and warrants were listed on 24 August 2018. See Note 33(a) to the financial statements.

The Company does not have any debenture.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' Shareholdings, required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares in the Company			
	At 01.07.2018	**Bought**	**Sold**	**At 30.06.2019**
Tunku Dato' Yaacob Khyra - deemed indirect interest (i)	82,381,232	82,381,232	–	164,762,464
Azlan bin Abdullah - direct interest	133,333	–	–	133,333

	Number of ordinary shares			
Mycron Steel Berhad (Related corporation)	**At 01.07.2018**	**Bought**	**Sold**	**At 30.06.2019**
Tunku Dato' Yaacob Khyra - deemed indirect interest (ii)	202,102,521	40,420,504	–	242,523,025
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - deemed indirect interest (iii)	52,300	10,460	–	62,760
Azlan bin Abdullah - direct interest	100,000	–	–	100,000

Directors' Report
(continued)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

(i) Deemed indirect interest by virtue of Tunku Dato' Yaacob Khyra being a beneficiary of a trust known as Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of the Company.

(ii) Deemed indirect interest by virtue of Tunku Dato' Yaacob Khyra being a beneficiary of a trust known as Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of the Company, a Major Shareholder of Mycron Steel Berhad.

(iii) Deemed indirect interest by virtue of Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah being a shareholder with 12.5% shareholdings in Melewar Group Berhad ("MGB") which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron Steel Berhad.

By virtue of the above mentioned Directors' direct and indirect interests in ordinary shares of the Company, they are deemed to have an interest in the shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in ordinary shares in the Company and its related corporations during the financial year.

DIVIDEND

No dividend has been paid, declared or proposed by the Company over the current financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2019.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 10 to the financial statements.

The names of Directors of subsidiaries where the shares are held by the Company are listed below (excluding those who are also Directors of the Company):

Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah
Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah
Roshan Mahendran bin Abdullah
Datuk Uwe Ahrens
Choo Kah Yean
Soo Teong Chuan
Dato' Seri Lim Ewe Chye
Mohd Silahuddin bin Jamaluddin
Ahmad Hamdan bin Jamaluddin
Brayn White
Alexius Lim Chong Jin

INDEMNITY AND INSURANCE COSTS

The Directors and officers of the Group and Company are covered by Directors and Officers Liability Insurance ("D&O") for any liability incurred in the discharge of their duties that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The sum insured was determined by the Company after taking into account the diversified nature of the Group's businesses. The premium borne by the Company and the Group for the D&O coverage during the financial year was approximately RM30,000 and RM50,000 respectively.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render the amounts written-off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

  (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report:

  (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person other than that disclosed in Note 33(c); and

  (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year other than that disclosed in Note 32.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due other than that disclosed in Note 32.

Directors' Report
(continued)

OTHER STATUTORY INFORMATION (CONTINUED)

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those reversal of provisions made as disclosed in Notes 8 and 17 to the financial statements; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 8 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 22 October 2019. Signed on behalf of the Board of Directors:

TUNKU DATO' YAACOB KHYRA
EXECUTIVE CHAIRMAN

AZLAN BIN ABDULLAH
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Kuala Lumpur

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Tunku Dato' Yaacob Khyra and Azlan bin Abdullah, two of the Directors of Melewar Industrial Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 102 to 219 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and financial performance of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance to their resolution dated 22 October 2019.

TUNKU DATO' YAACOB KHYRA
EXECUTIVE CHAIRMAN

AZLAN BIN ABDULLAH
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act 2016

I, Choo Kah Yean, the person primarily responsible for the financial management of Melewar Industrial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 102 to 219 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHOO KAH YEAN
CHIEF FINANCIAL OFFICER
MIA No.24018

Subscribed and solemnly declared by the abovenamed Choo Kah Yean, at Kuala Lumpur in Malaysia on 22 October 2019, before me.

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Members of Melewar Industrial Group Berhad
(Incorporated in Malaysia)
(Company No. 196901000102 (8444-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Melewar Industrial Group Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 102 to 219.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters (Group)	**How our audit addressed the key audit matters**
Valuation of land and buildings, plant, machinery and electrical installation Refer to Note 2(c) Property, plant and equipment – Summary of significant accounting policies, Note 3 – Critical accounting estimates and judgements and Note 13 – Property, plant and equipment to the financial statements. The Group carries its land and buildings, plant, machinery and electrical installation at values approximating their fair values. As at 30 June 2019, the carrying amount of the Group's land and buildings, plant, machinery and electrical installation is RM366.2 million. The valuation of the Group's land and buildings, plant, machinery and electrical installation are carried out by independent professional valuer on an annual basis. The valuation of the land and buildings is inherently subjective due to the individual nature of each property and its location; whereas the plant, machinery and electrical installation is inherently subjective due to the physical condition of the individual assets at the point of valuation. We focused on this area because there are significant judgements and estimates made in relation to the valuation of the Group's land and buildings, plant, machinery and electrical installation.	<u>Evaluation of the valuer's objectivity and competency</u> We read the valuation reports for the land and buildings, plant, machinery and electrical installation and discussed the reports with each of the valuer. We found that the valuation approach for each category of asset was performed in accordance with MFRS 13 'Fair value measurement' in determining the fair values as at 30 June 2019. We evaluated the valuer's competence by checking the valuer's qualifications and their registration to the Board of Valuers. We read their terms of engagement to determine whether there were any matters that might have affected their objectivity. <u>Estimates on land and buildings</u> For the land and buildings revalued during the year, the fair values were determined based on the Market approach which entails separate valuations of the land and buildings to arrive at the fair value. The fair values of the land and buildings were determined based on open market basis by reference to observable prices in the market or recent market transactions on arm's length terms (Level 2). Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter. We tested a sample of land and buildings by comparing the fair value per square meter with transacted values of similar land and buildings in and around the area. The values were obtained from independent online property portal website. <u>Estimates on plant, machinery and electrical installation</u> For plant, machinery and electrical installation, the fair values were determined based on depreciated replacement cost method, which is based on the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (Level 3). We obtained an understanding on the basis of valuation including the underlying estimates and appropriateness of the unobservable inputs used through discussions with the valuer, checked the reasonableness of the basis of valuation and unobservable inputs used to the valuer's working and inspected evidence corroborating the key judgement applied by management.

There are no key audit matters in relation to the financial statements of the Company.

Independent Auditors' Report

To the Members of Melewar Industrial Group Berhad
(Incorporated in Malaysia)
(Company No. 196901000102 (8444-W)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and other sections of the 2019 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report
To the Members of Melewar Industrial Group Berhad
(Incorporated in Malaysia)
(Company No. 196901000102 (8444-W)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2021 J
Chartered Accountant

Kuala Lumpur
22 October 2019

Statements of Profit or Loss

For the Financial Year ended 30 June 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	6	694,070,551	816,093,385	8,613,328	9,033,860
Cost of sales/services provided		(614,739,198)	(740,561,066)	(2,419,660)	(3,202,535)
Gross profit		79,331,353	75,532,319	6,193,668	5,831,325
Other operating income	7	1,558,563	220,939	–	955,266
Net foreign currency (loss)/gain	4(e)	(293,461)	733,125	–	–
Fair value gain on investment properties	14	700,000	–	6,400,000	851,125
Fair value loss on derivatives	21	–	–	(38,390)	–
Impairment (losses)/write back on:					
- goodwill		–	(832,151)	–	–
- inventories	19	454	(46,067)	–	–
- property, plant and equipment	13	(1,928,576)	(1,182,414)	(1,483)	(254,598)
- trade receivables	4(c)(iii)	(84,693)	(1,411,649)	–	–
- other receivables	4(c)(iii)	(31,800)	(6,626,113)	–	(1,102,470)
- investment in subsidiaries		–	–	(5)	–
- amounts owing by subsidiaries	4(c)(iii)	–	–	(37,864,781)	(17,246,777)
- amounts owing by associates	4(c)(iii)	–	(79,800)	–	–
Selling and distribution costs		(5,652,826)	(6,418,581)	–	–
Administrative and general expenses		(38,482,488)	(39,501,062)	(3,102,027)	(4,045,569)
		35,116,526	20,388,546	(28,413,018)	(15,011,698)
Finance income	9	1,589,019	1,521,627	131,091	111,462
Finance costs	9	(6,903,851)	(10,665,746)	–	–
Profit/(Loss) before tax	8	29,801,694	11,244,427	(28,281,927)	(14,900,236)
Taxation	11	(2,186,838)	(7,222,755)	(2,474,988)	2,643,367
Net profit/(loss) for the financial year		27,614,856	4,021,672	(30,756,915)	(12,256,869)

Statements of
Profit or Loss
For the Financial Year ended 30 June 2019
(continued)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Attributable to:					
- Equity holders of the Company		30,757,145	(667,999)	(30,756,915)	(12,256,869)
- Non-controlling interests		(3,142,289)	4,689,671	–	–
		27,614,856	4,021,672	(30,756,915)	(12,256,869)
Profit/(Loss) per share attributable to equity holders of the Company during the financial year:					
- Basic and diluted (sen)	12	9.02	(0.28)		

Statements of Comprehensive Income

For the Financial Year ended 30 June 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Net profit/(loss) for the financial year		27,614,856	4,021,672	(30,756,915)	(12,256,869)
Other comprehensive income:					
Item that maybe reclassified subsequently to profit or loss:					
Currency translation differences		34,411	38,272	–	–
Item that will not be reclassified to profit or loss:					
Asset revaluation reserve:					
- deferred tax effects on reclassification of assets used		(461,703)	–	–	–
- revaluation surplus on property, plant and equipment, net of tax	29	12,548,148	6,974,169	41,590	43,563
Total comprehensive income/(loss) for the financial year		39,735,712	11,034,113	(30,715,325)	(12,213,306)
Attributable to:					
- Equity holders of the Company		42,035,667	5,965,719	(30,715,325)	(12,213,306)
- Non-controlling interests		(2,299,955)	5,068,394	–	–
		39,735,712	11,034,113	(30,715,325)	(12,213,306)

Statements of Financial Position

As at 30 June 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
NON-CURRENT ASSETS					
Property, plant and equipment	13	379,572,282	382,899,885	847,873	946,290
Investment properties	14	12,533,000	–	69,400,000	63,000,000
Investments in subsidiaries	15	–	–	88,514,865	78,046,648
Deferred tax assets	18	1,272,224	1,515,428	–	–
		393,377,506	384,415,313	158,762,738	141,992,938
CURRENT ASSETS					
Inventories	19	187,529,354	205,362,607	–	–
Trade and other receivables	20	94,017,654	129,148,588	195,464	276,593
Contract assets	17	2,786,752	–	–	–
Derivatives	21	799,892	3,341,051	1,616,402	–
Amounts owing by subsidiaries	22	–	–	9,563	1,697,398
Tax recoverable		424,214	23,097	–	–
Deposits with licensed financial institutions	23	42,378,888	40,385,898	–	1,200,000
Cash and bank balances	23	11,309,078	13,040,794	2,955,391	452,243
Non-current assets held-for-sale	24	–	1,878,845	–	26,000,000
		339,245,832	393,180,880	4,776,820	29,626,234
LESS: CURRENT LIABILITIES					
Trade and other payables	25	146,460,924	251,745,216	1,223,825	3,715,046
Contract liabilities	17	2,254,593	–	–	–
Amounts owing to subsidiaries	22	–	–	24,660	2,704,317
Derivatives	21	230,010	2,570	–	–
Borrowings	26	88,463,881	90,735,555	–	–
Tax payable		190,983	721,133	120,808	94,129
		237,600,391	343,204,474	1,369,293	6,513,492
NET CURRENT ASSETS		101,645,441	49,976,406	3,407,527	23,112,742

Statements of Financial Position
As at 30 June 2019
(continued)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
LESS: NON-CURRENT LIABILITIES					
Trade and other payables	25	226,488	1,867,047	–	–
Deferred tax liabilities	18	47,109,166	45,385,121	17,017,074	16,016,143
Borrowings	26	21,675,127	28,572,706	–	–
		69,010,781	75,824,874	17,017,074	16,016,143
		426,012,166	358,566,845	145,153,191	149,089,537
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	27	250,207,537	226,996,855	250,207,537	226,996,855
Warrant reserve	28	3,568,297	–	3,568,297	–
Retained earnings/ (Accumulated losses)		3,777,607	(36,000,900)	(108,804,027)	(78,047,112)
Asset revaluation reserve	29	67,825,300	56,887,413	181,384	139,794
Foreign currency translation reserve		57,066	22,655	–	–
		325,435,807	247,906,023	145,153,191	149,089,537
Non-controlling interests		100,576,359	110,660,822	–	–
TOTAL EQUITY		426,012,166	358,566,845	145,153,191	149,089,537

Consolidated Statement of Changes in Equity

For the Financial Year ended 30 June 2019

	← Attributable to equity holders of the Company →							
	Share capital	Warrant reserve	Foreign currency translation reserve	Assets revaluation reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total
	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2018	226,996,855	–	22,655	56,887,413	(36,000,900)	247,906,023	110,660,822	358,566,845
Net profit for the financial year	–	–	–	–	30,757,145	30,757,145	(3,142,289)	27,614,856
Other comprehensive income:								
Currency translation differences	–	–	34,411	–	–	34,411	–	34,411
Realisation of asset revaluation surplus on disposal of non-current asset held-for-sale	–	–	–	(306,224)	306,224	–	–	–
Deferred tax effects on reclassification of assets used	–	–	–	(461,703)	–	(461,703)	–	(461,703)
Revaluation surplus on property, plant and equipment, net of tax	–	–	–	11,705,814	–	11,705,814	842,334	12,548,148
Total comprehensive income for the financial year	–	–	34,411	10,937,887	31,063,369	42,035,667	(2,299,955)	39,735,712
Transactions with owners:								
Rights issue with warrants (Note 27 and 28)	23,210,682	3,568,297	–	–	–	26,778,979	–	26,778,979
Change in effective interest: Non-controlling interest	–	–	–	–	8,715,138	8,715,138	(7,784,508)	930,630
Total transactions with owners of the Company	23,210,682	3,568,297	–	–	8,715,138	35,494,117	(7,784,508)	27,709,609
At 30 June 2019	250,207,537	3,568,297	57,066	67,825,300	3,777,607	325,435,807	100,576,359	426,012,166

Consolidated Statement of Changes in Equity
For the Financial Year ended 30 June 2019
(continued)

	← Attributable to equity holders of the Company					→		
	Share capital	Warrant reserve	Foreign currency translation reserve	Assets revaluation reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total
	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2017	226,996,855	–	(15,617)	50,291,967	(35,332,901)	241,940,304	105,592,428	347,532,732
Net profit for the financial year	–	–	–	–	(667,999)	(667,999)	4,689,671	4,021,672
Other comprehensive income:								
Currency translation differences	–	–	38,272	–	–	38,272	–	38,272
Revaluation surplus on property, plant and equipment, net of tax	–	–	–	6,595,446	–	6,595,446	378,723	6,974,169
Total comprehensive income for the financial year	–	–	38,272	6,595,446	(667,999)	5,965,719	5,068,394	11,034,113
At 30 June 2018	226,996,855	–	22,655	56,887,413	(36,000,900)	247,906,023	110,660,822	358,566,845

Company Statement of Changes in Equity

For the Financial Year ended 30 June 2019

		← Non-distributable	→		
	Share capital	Warrant reserve	Assets revaluation reserve	Accumulated losses	Total
	RM	RM	RM	RM	RM
At 1 July 2018	226,996,855	–	139,794	(78,047,112)	149,089,537
Net loss for the financial year	–	–	–	(30,756,915)	(30,756,915)
Other comprehensive income:					
Revaluation surplus on property, plant and equipment, net of tax	–	–	41,590	–	41,590
Total comprehensive loss for the financial year	–	–	41,590	(30,756,915)	(30,715,325)
Rights issue with warrants (Note 27 and 28)	23,210,682	3,568,297	–	–	26,778,979
At 30 June 2019	250,207,537	3,568,297	181,384	(108,804,027)	145,153,191
At 1 July 2017	226,996,855	–	96,231	(65,790,243)	161,302,843
Net loss for the financial year	–	–	–	(12,256,869)	(12,256,869)
Other comprehensive income:					
Revaluation surplus on property, plant and equipment, net of tax	–	–	43,563	–	43,563
Total comprehensive loss for the financial year	–	–	43,563	(12,256,869)	(12,213,306)
At 30 June 2018	226,996,855	–	139,794	(78,047,112)	149,089,537

Statements of Cash Flows

For the Financial Year ended 30 June 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	29,801,694	11,244,427	(28,281,927)	(14,900,236)
Adjustments for:				
Property, plant and equipment:				
- depreciation	20,299,445	19,780,483	156,758	205,668
- impairment losses	1,928,576	1,182,414	1,483	254,598
- write-offs	4,971	200,883	–	–
- net gain on disposals	(1,370,219)	(22,214)	–	(1,208)
Impairment losses/(Write back) on:				
- investment in subsidiaries	–	–	5	–
- amounts owing by subsidiaries	–	–	37,864,781	17,246,777
- amounts owing by associates	–	79,800	–	–
- trade receivables	84,693	1,411,649	–	–
- other receivables	31,800	6,626,113	–	1,102,470
- inventories	(454)	46,067	–	–
- goodwill	–	832,151	–	–
Gain on derecognition of an associate	–	(82,698)	–	–
Gain on disposal of an associate	–	(4)	–	–
Net gain on waiver of amount owing to client on Project #1	(40,615,839)	–	–	–
Waiver on retention sum due from client on Project #1	2,098,004	–	–	–
Provision for onerous contract - reversed during the year	(5,135,630)	(9,848,856)	–	–
Write-back of cost provision on Project #1	(57,238)	(11,303,211)	–	–
Additional provision made on Project #2	4,249,068	1,422,323	–	–
(Write-back of provision)/ Provision for liquidated ascertained damages	(8,392,016)	1,300,000	–	–
(Write-back of provision)/ Provision for defects liability period	(3,223,009)	3,682,217	–	–
Fair value gain on investment properties	(700,000)	–	(6,400,000)	(851,125)
Fair value loss on derivatives	–	–	38,390	–
Dividend income	–	–	(1,200,000)	(800,000)
Net unrealised (gain)/loss on foreign exchange	(193,251)	420,887	–	–
Finance income	(1,589,019)	(1,521,627)	(131,091)	(111,462)
Finance costs	6,903,851	10,665,746	–	–
Interest charged to a subsidiary	–	–	–	(954,058)
	4,125,427	36,116,550	2,048,399	1,191,424

Statements of Cash Flows
For the Financial Year ended 30 June 2019
(continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Changes in working capital:				
- inventories	17,833,707	(27,805,916)	–	–
- trade and other receivables	35,576,927	(17,869,875)	81,129	(42,729)
- trade and other payables	(52,957,259)	1,511,147	108,779	1,956,611
- intercompany balances	–	–	(423,417)	(394,703)
- contract assets	(2,786,752)	–	–	–
- contract liabilities	2,254,593	–	–	–
Cash generated from/ (used in) operations	4,046,643	(8,048,094)	1,814,890	2,710,603
Interest paid	(7,038,528)	(8,623,199)	–	–
Interest received	1,468,785	1,539,838	131,091	129,673
Tax paid	(5,064,078)	(6,736,210)	(1,460,512)	(849,887)
Tax refunded	23,156	–	–	–
Net cash (used in)/generated from operating activities	(6,564,022)	(21,867,665)	485,469	1,990,389
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiary	–	–	(10,468,222)	–
Purchases of property, plant and equipment	(8,362,021)	(6,940,747)	(5,100)	(6,800)
Purchases of investment properties	–	–	–	(48,875)
Proceeds from disposal of property, plant and equipment	1,672,188	183,634	–	1,208
Proceeds from disposal of non-current assets held-for-sale	1,610,000	–	23,400,000	–
Dividend received	–	–	1,200,000	800,000
Net outflow of cash from acquisition of a subsidiary	–	(97,081)	–	–
Proceeds from disposal of an associate	–	4	–	–
Withdrawal from licensed financial institutions pledged as security	–	9,633,138	–	9,633,138
Advances to subsidiaries	–	–	(35,679,660)	(20,937,858)
Expenses paid on behalf of subsidiaries	–	–	(449,556)	(236,922)
Repayment from subsidiaries	–	–	432,270	7,699,086
Advances to associates	–	(2,725,520)	–	(2,642,845)
Repayment from an associate	–	5,642,000	–	2,142,000
Subscription of new warrant	–	–	(1,654,791)	–
Net cash (used in)/generated from investing activities	(5,079,833)	5,695,428	(23,225,059)	(3,597,868)

Statements of Cash Flows
For the Financial Year ended 30 June 2019
(continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of right shares with warrants	26,778,979	–	26,778,979	–
Proceeds from issuance of subsidiary's shares with warrants	930,630	–	–	–
Proceeds from borrowings	231,232,446	171,101,562	–	–
Repayment of borrowings	(244,896,755)	(168,957,500)	–	–
Repayment of hire-purchase financing	(2,174,582)	(706,887)	–	–
Advances from subsidiaries	–	–	1,000,000	2,936,527
Repayment to subsidiaries	–	–	(3,736,241)	(558,912)
Net cash generated from financing activities	11,870,718	1,437,175	24,042,738	2,377,615
NET CHANGE IN CASH AND CASH EQUIVALENTS	226,863	(14,735,062)	1,303,148	770,136
CURRENCY TRANSLATION DIFFERENCES	34,411	81,072	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	53,426,692	68,080,682	1,652,243	882,107
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 23)	53,687,966	53,426,692	2,955,391	1,652,243

Statements of
Cash Flows
For the Financial Year ended 30 June 2019
(continued)

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' on a year-to-date basis is outlined below:

Group	Bankers' acceptance	Term loan	Mortgage loan	Hire purchase	Total
	RM	RM	RM	RM	RM
At 1 July 2018	87,060,000	30,726,914	–	1,521,347	119,308,261
Cashflow:					
Proceeds from borrowings	206,401,000	3,831,446	21,000,000	–	231,232,446
Repayment of borrowings	(212,811,000)	(30,909,068)	(1,176,687)	–	(244,896,755)
Repayment of hire purchase	–	–	–	(2,174,582)	(2,174,582)
Interest paid	(4,374,110)	(170,691)	(906,447)	(192,777)	(5,644,025)
Non–cash:					
Plant and equipment acquired via hire purchase arrangements	–	–	–	6,701,826	6,701,826
Interest charged	4,374,110	138,503	906,447	192,777	5,611,837
At 30 June 2019	80,650,000	3,617,104	19,823,313	6,048,591	110,139,008

Company	Amount owing to subsidiaries
	RM
At 1 July 2018	2,704,317
Cashflow:	
Advances from subsidiaries	1,000,000
Repayment to subsidiaries	(3,736,241)
Expenses paid on behalf of subsidiaries	56,584
At 30 June 2019	24,660

Statements of Cash Flows
For the Financial Year ended 30 June 2019 (continued)

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' on a year-to-date basis is outlined below:

Group	Bankers' acceptance	Term loan	Hire purchase	Revolving credit	Total
	RM	RM	RM	RM	RM
At 1 July 2017	66,730,000	37,424,014	961,009	8,400,000	113,515,023
<u>Cashflow:</u>					
Proceeds from borrowings	168,870,000	2,231,562	–	–	171,101,562
Repayment of borrowings	(148,540,000)	(12,017,500)	–	(8,400,000)	(168,957,500)
Repayment of hire purchase	–	–	(706,887)	–	(706,887)
Interest paid	(3,322,753)	(354,627)	(90,228)	(284,433)	(4,052,041)
<u>Non-cash:</u>					
Plant and equipment acquired via hire purchase arrangements	–	–	1,267,225	–	1,267,225
Interest charged	3,322,753	3,443,465	90,228	284,433	7,140,879
At 30 June 2018	87,060,000	30,726,914	1,521,347	–	119,308,261

Company	Amount owing to subsidiaries
	RM
At 1 July 2017	273,714
<u>Cashflow:</u>	
Advances from subsidiaries	2,936,527
Repayment to subsidiaries	(558,912)
Expenses paid on behalf of subsidiaries	52,988
At 30 June 2018	2,704,317

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Notes to the Financial Statements
- 30 June 2019

1 GENERAL INFORMATION

The principal activities of the Company are that of property investment and investment holding. The principal activities of its subsidiaries are in mid-stream steel cold rolled coil and steel tube manufacturing, and engineering services as disclosed in Note 15 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The registered office of the Company is:

Suite 11.05, 11th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

The principal place of business of the Company is:

15th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

As at 30 June 2019, all monetary assets and liabilities of the Group and the Company are denominated in Ringgit Malaysia, unless otherwise stated.

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 22 October 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies such as those on the revaluation of land and buildings, and financial assets and financial liabilities (including derivative instruments) measured at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current event and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as disclosed in Note 3 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2018 on its 2019 financial statements:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 140 'Investment Property – Transfers of Investment Property'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'

MFRS 9 'Financial Instruments' replaces MFRS 139 'Financial Instruments: Recognition and Measurement'

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss ('ECL') model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has applied MFRS 9 retrospectively with the date of initial application of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139.

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group's provision matrix is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations that are effective (continued)

The impact on adoption of MFRS 9 at the date of initial application of 1 July 2018 are as follows:

(i) Reclassification of loans and receivables to financial assets at amortised cost

(ii) Change in accounting policies

The impact of the change in accounting policy on financial assets is disclosed in Note 2(h) to the financial statements.

MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Contruction Contracts'

The Group has applied MFRS 15 with the date of initial application of 1 July 2018 by using the modified retrospective transition method.

Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

In addition, the Group has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The main changes to accounting policy on revenue is as follows:

- Revenue relating to sales of steel products (cold rolled coils, steel tube and pipes and scraps) will be recognised when control of the products has transferred, being the point when the products are delivered to the customer. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sales of steel products under MFRS 15 does not have any impact on the current practice.

- Revenue relating to processing service income will be recognised in the accounting period in which the services are rendered. Revenue relating to revenue from contract will be recognised over time based on the entity's progress towards complete satisfaction of that performance obligation. Under MFRS 15, the revenue recognition for services does not have any impact on its current practice.

- The Group's engineering business entails customised contracts, usually with multi-point deliverables and milestone payments which may cut across multiple reporting periods and give rise to contract assets or liabilities. The contracts do not entail complications like distinguishable allocation of goods and services, separate warranties, packaged after-sales-service, or long-term financing features.

The detailed impact of the change in accounting policy on revenue is disclosed in Note 2(p) to the financial statements.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2019. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below.

The Group and Company will apply these new standards and amendments to standards in the following periods:

Financial year beginning on or after 1 July 2019

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  As at 30 June 2019, the Group have non-cancellable operating lease commitments of approximately RM3.04 million. Upon the adoption of MFRS 16, the Group will recognise a liability for the future operating lease payments and right-of-use assets, unless the underlying right-of-use asset is of low value or they are short-term leases, in its statements of financial position. Correspondingly, the Group will also recognise a value on the 'Rights of Use' of the lease assets. This would result in a gross-up on both total assets and total liabilities with a negligible net impact. However, the Group does not expect the adoption of MFRS 16 would have any significant impact on profit or loss.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards and amendments that have been issued but not yet effective (continued)

The Group and Company will apply these new standards and amendments to standards in the following periods: (continued)

Financial year beginning on or after 1 July 2019 (continued)

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards and amendments that have been issued but not yet effective (continued)

The Group and Company will apply these new standards and amendments to standards in the following periods: (continued)

Financial year beginning on or after 1 July 2020

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered as a 'business', an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The excess of the consideration and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in retained earnings.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(iv) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of an associate' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

(v) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's net investments in the subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are initially stated at cost. Land, buildings, plant, machinery and electrical installation are subsequently shown at fair values, based on periodic valuation by external valuers, less subsequent depreciation and impairment losses, with sufficient regularity or when the fair value of the revalued assets differ materially from the carrying values. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. When property, plant and equipment is revalued, the carrying amount of property, plant and equipment is adjusted to the revalued amount. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in equity in respect of property, plant and equipment will be transferred directly to retained earnings when the assets are de-recognised.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss. The revaluation surplus included in equity is transferred directly to retained earnings when the asset is retired or disposed-of.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision of the residual values and useful lives are included in profit or loss for the period in which the changes arise.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(g) on impairment of non-financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(ii) Depreciation

Freehold land is not depreciated as it has infinite life. Spare parts recognised are depreciated over a period that does not exceed the useful life of the assets to which they relate. Other property, plant and equipment, are depreciated on the straight-line basis based on cost of the assets or their revalued amounts, to their residual values, over their estimated useful lives as follows:

Leasehold land (leasehold period)	99 years
Buildings	50 years
Plant, machinery and electrical installation	4 – 40 years
Motor vehicles, furniture, fittings and equipment	5 – 10 years

Depreciation on assets under construction commences when the assets are ready for its intended use.

(d) Investment properties

Investment properties comprising principally land, factory and office buildings are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including professional fees for legal services, property transfer taxes, other transaction costs and borrowing costs if the investment property meets the definition of qualifying asset.

After initial recognition, investment properties are carried at their fair values. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is de-recognised.

Changes in fair values are recognised in profit or loss. Investment properties are de-recognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes off a property at fair value in an arm's length transaction, the carrying value will be adjusted to the lower of their carrying amounts and fair value less costs to sell, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties (continued)

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of such a property at the date of transfer is treated in the same way as a revaluation under MFRS 116 'Property, Plant and Equipment'. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income in asset revaluation reserve. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

(e) Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the statement of financial position.

(f) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

<u>Accounting as lessee</u>

(i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

(i) Finance leases (continued)

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case, it is taken to asset revaluation reserve.

(h) Financial assets

The Group and the Company applied MFRS 9 'Financial Instruments' for the first time in the 2019 financial statements with the date of initial application of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. There is no cumulative impact due to the initial application of MFRS 9.

The Group and the Company have adopted MFRS 9, which resulted in some changes in accounting policies. The main changes prior and post adoption are as follows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Accounting policies applied from 1 July 2018

Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (through profit or loss), and
(ii) those to be measured at amortised cost

Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment and principal and interest ('SPPI').

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are two measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(ii) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other operating income in the statement of profit or loss.

Subsequent measurement – Impairment

Impairment for debt instruments

The Group assesses on a forward looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has four types of financial instruments that are subject to the ECL model:

(i) Trade and other receivables
(ii) Amounts owing by subsidiaries
(iii) Contract assets
(iv) Financial guarantee contracts

Whilst cash and cash equivalents and derivative financial assets placed with licensed financial institutions are also subject to the impairment requirements of MFRS 9, the credit risks and any impetus for credit impairment has been determined to be immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Company expects to receive from the holders, the debtor or any other party.

The measurement of ECL reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(ii) the time value of money; and
(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

Subsequent measurement – Impairment (continued)

Impairment for debt instruments (continued)

The ECL approach can be classified into the categories below:

(i) General 3-stage approach for other receivables, amounts owing by subsidiaries and financial guarantees contracts issued

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

(ii) Simplified approach for trade receivables and contract assets

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 4(c) sets out the measurement details of ECL.

Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

Subsequent measurement – Impairment (continued)

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

(i) Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 60 days of when they fall due.

(ii) Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually.

Amounts owing by subsidiaries in the Company's separate financial statements are assessed on an individual basis for ECL measurement.

Impairment

(i) Trade receivables and contract assets

Trade receivables are impaired based on its' adopted "overdue-days matrix" where any excessive aging of 60 days and beyond, or occurrence of serious triggering loss event (on individual basis) would necessitate a provision.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

Subsequent measurement – Impairment (continued)

Impairment (continued)

(i) Trade receivables and contract assets (continued)

Subsequent recoveries of amounts previously impaired are credited against the ‘credit impairment allowance account.’

The Group’s policy on doubtful debt write-off post 1 July 2018 remains the same as before, where the ‘write-off’ is through the ‘credit impairment allowance account’ when recovery effort on specific debt has been exhausted without success and/ or determined with high certainty to be unrecoverable.

(ii) Other receivables and amounts owing by subsidiaries

The Group and the Company impair financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor’s sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may impair financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Accounting policies applied until 30 June 2018

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are designated or held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling or repurchasing it in the near term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be sold within 12 months; otherwise, they are classified as non-current.

In addition, certain financial assets are designated at initial recognition as fair value through profit or loss when one of the designation criteria is met:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The item is a hybrid contract that contains one or more embedded derivatives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Accounting policies applied until 30 June 2018 (continued)

Classification (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables are as disclosed in Note 34 to the financial statements.

Subsequent measurement – gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the financial year in which the changes arise.

Subsequent measurement - impairment of financial assets

(i) Assets carried at amortised costs

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written-off against the related allowance account. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Accounting policies applied until 30 June 2018 (continued)

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(j) Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the statement of financial position at fair value on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values at each reporting date. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

Derivative financial instruments that do not qualify for hedge accounting are classified as financial assets at fair value through profit or loss and accounted for in accordance with accounting policy set out in Note 2(h) on financial assets.

Derivatives that qualify for hedge accounting are designated as either:

(i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(iii) Hedges of a net investment in a foreign operation (net investment hedge).

Since adoption of MFRS 9, the Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. Prior to 1 July 2018, the Group documented at the inception of the transaction, the relationship between hedging instruments and hedged items and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions have been, and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derivative financial instruments and hedging activities (continued)

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group applies fair value hedge accounting for hedging forward contracts on purchases. The gain or loss relating to the effective and ineffective portion of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Raw material cost is determined on the weighted average cost basis. Finished goods and work-in-progress comprise cost of materials, direct labour, other direct costs including import duties and other taxes and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and the estimated costs necessary to make the sale.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprises of cash in hand, deposits held at call with financial institutions and other short term highly liquid investments with original maturities of 3 months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into and definitions of a financial liability.

MFRS 9 retains most of the MFRS 139 requirements.

Financial liabilities, within the scope of MFRS 9 'Financial Instruments', are recognised in the statement of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities which are subsequently measured at fair value through profit or loss or amortised cost.

(i) Financial liabilities subsequently measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative financial liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gain or losses on derivatives include exchange differences.

(ii) Financial liabilities subsequently measured at amortised cost

The Group's and Company's financial liabilities subsequently measured at amortised cost include trade payables, other payables, amount owing to subsidiaries and borrowings.

These financial liabilities are recognised initially at fair value less transaction costs and thereafter, at amortised cost using the effective interest method. Amortisation is charged to profit or loss.

Financial liabilities are classified as current liabilities for those having maturity dates of no more than 12 months after the end of the reporting period, and the balance is classified as non-current.

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another form the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(n) Provisions

Provisions are recognised when the Group and the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provision is not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(i) Warranties

The Group recognises the estimated liability to repair or replace products when the underlying products or services are sold. This provision is calculated based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(o) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental cost incurred directly attributable to the issue of new ordinary shares are deducted against equity.

(iii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting date but not distributed at the end of the reporting date.

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the financial year in which the dividends are approved.

(iv) Purchase of own shares

When the Company or its subsidiaries purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the Company's equity holders as treasury shares until they are cancelled, re-issued or disposed of. Where such ordinary shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

Notes to the
Financial Statements
- 30 June 2019
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition

The Group applied MFRS 15 for the first time in the 2019 financial statements with the date of initial application of 1 July 2018 by using the modified retrospective transition method.

Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111. In addition, the Group has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

Accounting policies applied from 1 July 2018

Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when the Group transfer control of the goods or services promised in a contract and the customer obtains control of the goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expect to be entitled in exchange for transferring promised goods or services to a customer, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Sale of steel products (cold rolled coils, steel tube and pipes and scraps)

The Group manufactures and sells a range of steel products to customers. Sales from the sale of steel products are recognised when control of the products has been transferred (i.e. when the products are delivered to the customer); and when the customers has the full discretion to direct the use or movement over the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sale of steel products is recognised based on terms specified in the contracts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made on credit terms which are consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as contract liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

Accounting policies applied from 1 July 2018 (continued)

(ii) Processing service and management fee income

The Group offers galvanising, slitting, toll-manufacturing service to its customers. Revenue from providing such service is recognised in the accounting period which services is rendered.

There is no element of financing present as the sales is made on credit terms of up to 90 days, which is consistent with industry practice.

The Company offers management service to its subsidiaries revenue from providing such service is recognised in the accounting period which services is rendered.

(iii) Consultancy, project management, and construction contracts

This category comprises mostly of contracts where the transaction price is fixed and the revenue is determined and recognised over a period-of-time based on progression computed using the input method (i.e. percentage of cost-to-completion). If performance obligations in the contract distinguishes separately between goods and services, the transaction price would be allocated to the performance obligations based on observable methods, and the ensuing revenue would be recognised based on progress.

Revenue from other sources

(i) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. Dividend income are received from financial assets measured at FVTPL.

Dividend income from financial assets at FVTPL is recognised as part of revenue on these financial instruments.

(ii) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(iii) Rental income

Rental income are recognised on a time proportion basis based on the contracted lease terms, unless collectability is in doubt, in which case the recognition of such income is suspended.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

Accounting policies applied until 30 June 2018

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and amounts collected on behalf of third parties after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Sale of goods is recognised upon delivery of products and customer acceptance, and performance of after-sales services, if any, net of goods and services tax, returns, discounts and after eliminating sales within the Group.

(ii) Processing service income

Processing and engineering service income is recognised on the accrual basis when services are rendered.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iv) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(v) Rental income

Rental income is recognised on a time proportion basis based on the contracted lease terms, unless collectability is in doubt, in which case the recognition of such income is suspended.

(vi) Management fee income

Management fee is recognised on the accrual basis when services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

Accounting policies applied until 30 June 2018 (continued)

(vii) Consultancy and project management revenue

Consultancy and project management is a fee based revenue and is recognised on accrual basis when services are rendered. This category exclude those accounted under construction contracts.

(viii) Construction contracts

Revenue from fixed price construction contracts is recognised based on the 'percentage of completion method' as measured by reference to the cumulative cost incurred to the budgeted total cost to complete the contract.

(q) Employees' benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, and bonuses that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Defined contribution plan

The Group contributes under statutory obligation to the Employee Provident Fund, which is a defined contribution plan, regulated and managed by the Government. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(r) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Current and deferred income tax (continued)

Deferred tax is provided in full, using the liability method, on temporary differences at the reporting date arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets (including tax benefit from reinvestment allowance) are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The financial statements are presented in Ringgit Malaysia, which is the Company’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. For practical reasons, the average rate for the month is used as the approximate transaction-date-rate for all transactions in each foreign currency occurring during that period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. If the foreign currency transaction was hedge accounted, the transaction would be translated at the original basis-rate of exchange on which it was hedge designated.

All foreign exchange gains and losses are presented in profit or loss on a net basis within ‘net foreign currency (loss)/gain’.

For translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Foreign currencies (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for statement of profit or loss and statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

(t) Segment reporting

Operating segments are reported in a manner consistent with the requirements of MFRS 8 and with the internal reporting provided to the chief operating decision-maker. The Group’s Executive Committee comprising unit heads and Executive Directors is responsible for allocating resources and assessing performance of the operating segments.

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability is not recognised when it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(v) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial guarantee contracts (continued)

A financial guarantee contract is recognised as a financial liability at the time the guarantee is issued. Liabilities arising from financial guarantee contracts, including the Group's and the Company's guarantees for its subsidiaries, are initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group or the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers' where appropriate.

(w) Construction contracts

Accounting policies applied from 1 July 2018

Accounting policies from 1 July 2018 is not materially different from those applied until 30 June 2018, except for the following subtle refinement:

(i) Construction costs are capitalised only to the extent that these are contractual fulfilment cost that relate to satisfying future performance obligations. Cost incurred in the current period that relates to the satisfaction of past performance obligations are expensed out.

(ii) In the determination of revenue over a period-of-time based on progression of input cost, those costs incurred on wasted materials and labour, and those cost of uninstalled materials shall be excluded as progression in percentage of completion computation.

(iii) A contract is determined to be 'onerous' when unavoidable cost to fulfil a contract exceeds the receivable economic benefits. In determining the 'unavoidable cost', the lower of (a) 'costs to fulfil contract' or (b) 'compensation/penalties arising from failure to fulfil the contract' applies. Unavoidable cost excludes overheads and indirect costs which would have to be incurred regardless.

(iv) In the negotiation for construction contracts, effort shall be made to separately identify performance obligations for ease of revenue recognition if the integration of goods and services is insignificant; if the level of customization and modification work is insignificant; or if multiple performance obligations are not highly interrelated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Construction contracts (continued)

Accounting policies applied until 30 June 2018

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract is recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the financial year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(x) Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of engineering contracts, contract asset is the excess of cumulative revenue earned over cumulative billings to-date. The balance is classified as contract assets under current assets in the statement of financial position.

When there is objective evidence of impairment, the amount of impairment is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract assets.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The balance is classified as contract liabilities under current liabilities in the statement of financial position.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that the Directors believe to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Revaluation of certain property, plant and equipment / fair value of investment properties

As disclosed in Note 13 and Note 14 to the financial statements, the Group carries its land and buildings, plant, machinery and electrical installation at values approximately their fair values. On an annual basis, the Group appoints independent professional firms to determine the fair values of these property, plant and equipment which generally do not have quoted prices in active markets for identical assets. The Directors at the advice of the appointed professional-valuers exercised judgement and made assumptions in the selection and deployment of the most suitable valuation techniques in the ensuing fair value determination (Notes 13 and 14).

(b) Impairment of non-financial assets

In assessing the impairment of the Cash-Generating Units ("CGU"), the Group and the Company compared the carrying amount of these assets with its recoverable amount, measured at the higher of the fair value less cost to sell and the value-in-use. In measuring the value-in-use based on the CGU's discounted cash flows, certain assumptions and estimates are applied.

The Group's Cold Rolled subsidiary has a firm commitment to upgrade a particular processing line, where the implementation thereof will result in the carrying revalued amount not being fully recoverable due to the replaced parts or components. The Directors have made certain assumptions in assessing the recoverable amount of those affected lines in order to determine the appropriate provision for impairment as disclosed in Note 13 to the financial statements.

(c) Construction contracts

The Group's Engineering subsidiary accounts for its construction contracts over a period-of-time based on progression of completion using the input method. Management makes critical estimates and judgement in ascertaining the expected cost-to-completion and outcome of the contracts in calculating the stages of completion; in ascertaining contractual obligation/liability provisions, and in determining the amounts to be recognised in the financial statements for the current financial year (Note 17).

(d) Provisions on deferred tax

Provision made for deferred tax assets and liabilities involves judgement and assumptions (Note 18). Deferred tax asset are recognised to the extent that is probable that future taxable profits will be available against which temporary differences or tax losses can be utilised. With effect from the tax assessment year 2019, the allowable carrying forward period on unutilised tax losses and reinvestment allowances has been limited to 7 years. Estimating future taxable profits and the utilisation of tax losses and reinvestment allowances over the allowed time-period involve significant assumptions. Assumptions where applied are based on past performances and adjusted for non-recurring circumstances.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks. The Group's overall financial risk management objective is to optimise value creation for shareholders whilst minimising potential adverse impact arising from its exposure to the various financial risks as discussed hereinafter. Financial risk management is carried out at both functional and operational levels, and is embedded into its policies, processes, and controls where appropriate. This is further reinforced with continuous assessment and improvement on the effectiveness and adequacy of its financial risk management practises by its Executive Committee, internal audit, and the Risk and Sustainability Committee which reports to the Board.

Various risk management policies that are approved by the Directors for controlling and managing financial risks in the day-to-day operations of the Group are set out below.

(a) Capital risk

The Group's capital management objectives are (i) to ensure the economic deployment of its capital for sustainable returns which in the long run would exceed the cost of capital provision; and (ii) to ensure uninterrupted and adequate supply of capital to fulfil objective (i).

The Group views its equity (total equity less intangibles including deferred tax) plus interest bearing debts totalling to RM591.5 million (2018: RM549.8 million) as capital resources, and has a policy to maintain the debt-to-equity ratio below 1.25. Capital deployment amongst the Group's subsidiaries and/or business units is at the purview of the Board, but each of its subsidiaries and/or business units is primarily responsible for the management of its allocated capital subject to the oversight by the group executive management and the Board.

The Group's external borrowings are mainly incepted at the indirectly held Cold Rolled and the Steel Tube subsidiaries, with the Company itself being free from any debt gearing. The Group's Engineering subsidiary has fully repaid its short-term borrowing (incurred in the financial year 2017 to partly finance the completion of its onerous projects) over the current financial year from funds extended by the Company. The external borrowings of the Group's steel subsidiaries are subjected to specific 'capital' covenants on minimum adjusted shareholders' funds and maximum allowable 'debt-to-equity' ratio computed at both the entity and at the consolidated levels under their respective debenture. For the current financial reporting period, the Group's steel subsidiaries complied with all the aforementioned capital covenants, and have been capital-sufficient in meeting peak business needs.

The Group's Engineering subsidiary capital deficiency remains pronounced with a negative shareholders' fund of RM71.1 million (2018: negative RM113.2 million) and net current liabilities position of RM71.0 million (2018: negative RM84.8 million) despite recording a profit of RM42.1 million for the current financial year (2018: Net loss of RM3.4 million). The net current liabilities is mainly attributable to amount due to its holding company, Melewar Industrial Group Berhad of RM66.6 million. The Engineering subsidiary's profit performance for the current financial year is mainly due to the write-back of an onerous project's past loss provisions upon commercial closure (see Note 25).

Over the current financial year, the Company has injected RM34.9 million into the Engineering subsidiary for it to repay external borrowings amounting to RM26.9 million, with the balance channelled to fund its working capital and another onerous uncompleted project. Based on the 'Expected Credit Loss' on the funds extended to the insolvent engineering subsidiary, the Company made a full credit loss provision and consequently reported a net loss of RM30.7 million for the current financial year. Despite the aforementioned losses, the Company's capital position as measured by its shareholders fund deteriorated only by around RM3.9 million (i.e. from RM149 million in the previous financial year end to RM145 million in the current financial year end) due to its 'Rights issue with warrant' exercise which raised RM26.8 million in current financial year.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Capital risk (continued)

Over the current reporting period, equity capital deployed in the Group has increased by around RM69.3 million (or up 17%) whilst interest-bearing-debt capital has decreased by around RM27.7 million (or down 19%). The Group's debt-equity ratio closed at 0.25 times for the current reporting period compared to 0.37 times at the preceding close.

The Group's invested capital and debt securities in its foreign UK subsidiary have been fully impaired by losses in the current financial year, and any further capital replenishment requirement in the next twelve months to expand the Group' steel tube sales to the UK market shall be closely managed.

(b) Liquidity risk

Liquidity risk is the risk that the Group's and the Company's financial resources are insufficient to meet financial obligations as and when due or have to be met at excessive cost. The Group's liquidity risk management objective is to ensure that all its committed and foreseeable funding commitments can be met as and when due in a cost effective manner.

The Group's exposure to liquidity risk arises principally from its various payables and borrowings. The Group maintains a level of cash and cash equivalents, and adequate bank facilities to meet its financial liabilities when due. The Group's liquidity risk management is largely decentralised at the respective subsidiaries/business units for timely intervention as funding are raised at the respective subsidiaries' level. As such, each subsidiary has its own unique liquidity risk profile. Nevertheless, the Company's and subsidiaries' liquidity risk management are governed by a common set of Group's practices and policies:

- Maintain sufficient stand-by credit facilities and the continuing support from a diversified range of funding sources/credit providers
- Maintain a strict debt or financial liabilities servicing plan vis-à-vis its cash-flows generated from operations and from maturing financial assets
- Rolling cash-flow planning on weekly, monthly, and annual basis
- Manage the concentration and maturity profile of both financial and non-financial liabilities
- Manage cash conversion cycles and optimise working capital deployment

The Group's financial obligations as shown in the tables below are mainly short-term (due within 12 months) largely due to the rolling trade financing facilities deployed by its indirectly held Cold Rolled and Steel Tube subsidiaries where their short-term-bank-debts to total-bank-debts ratio is 96.1% and 63.6% respectively. Their significant reliance on short-term bank trade facilities which are callable on demand poses a degree of liquidity risk – which however is diversified with trade credit lines from key suppliers amounting to USD52.0 million (RM215.0 million) and USD23.5 million (RM97.1 million) respectively for the Cold Rolled subsidiary and the Steel Tube subsidiary.

The steel subsidiaries are subjected to liquidity covenant such as minimum allowable 'Debt Service Cover Ratio'. The Steel Tube subsidiary complied with the said covenant, but the Cold Rolled subsidiary failed to comply due to its operating loss position. The Cold Rolled subsidiary has obtained a waiver indulgence on the said covenant ratio for the current financial year. Despite the Cold Rolled subsidiary's net loss of RM 16.6 million for the current financial year, its liquidity position with a net current asset of RM 35.7 million remains relatively strong.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

As mentioned in Note 4(a), the Group's Engineering subsidiary is in a deficit shareholders fund of RM71.1 million (2018: deficit RM113.2 million) and a net current liabilities position of RM71 million (2018: negative RM84.8 million). In this regard, the Company has extended a letter of undertaking to meet the Engineering subsidiary's financial obligations as and when they fall due should the subsidiary fails to do so for the next financial year. In this regard, the Engineering subsidiary does not have any bank borrowings at the close of the current financial period, and its external financial obligations would be limited to trade-debts to suppliers and sub-contractors totalling around RM11.6 million.

As mentioned in Note 4(a), the Company had extended RM34.9 million in funding to the Engineering subsidiary and had taken a full impairment loss of the said sum resulting in a net loss of RM30.8 million in the current financial year. The Company had funded the said advance (to the Engineering subsidiary) from the sale of its factory leased land and buildings on Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam to its indirectly held Steel Tube subsidiary for RM26 million (see Note 24(b)); and partially from the funds raised from its 'Rights issue with warrant' amounting to RM26.8 million (see Note 33(a)). On the remaining funds from the Company's Rights issue, RM11.1 million was utilised to subscribe for 40,410,044 Rights entitlement shares in its Mycron Steel Berhad (see Note 15) in the 3rd quarter of the current financial period, pushing its shareholding in the latter from 71.3% to 74.1%.

Considering the Company's net loss of RM30.8 million for the current period and its continuing undertaking to meet the financial obligations of its loss making and/or insolvent subsidiaries in the next financial period (see Note 15), the Company performed a stress test on its cash-flow projection for the next 18 months and is of the opinion that its financial resources are sufficient to meet financial obligations as and when they fall due.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Maturity analysis

The tables below summarise the maturity profile of the Group's financial liabilities as at the current financial year's reporting date based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate % per annum	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM	> 5 years RM
30 June 2019									
Non-derivative financial liabilities									
Bankers' acceptance	80,650,000	4.58% - 5.70%	81,449,403	81,449,403	–	–	–	–	–
Term loan 2	3,617,104	5.54% - 6.50%	3,667,690	3,667,690	–	–	–	–	–
Mortgage loan	19,823,313	6.00%	25,691,989	2,777,512	2,777,512	2,777,512	2,777,512	2,777,512	11,804,429
Hire-purchase creditors	6,048,591	2.29% - 2.85%	6,549,046	2,796,726	2,398,131	1,108,566	209,417	36,206	–
Trade payables	9,478,060	5.10%	9,668,244	9,668,244	–	–	–	–	–
Trade and other payables, excluding derivatives	137,209,352	–	137,209,352	136,982,864	226,488	–	–	–	–
Derivative financial liabilities									
Forward contracts	230,010	–	230,010	230,010	–	–	–	–	–
	257,056,430		**264,465,734**	**237,572,449**	**5,402,131**	**3,886,078**	**2,986,929**	**2,813,718**	**11,804,429**
30 June 2018									
Non-derivative financial liabilities									
Bankers' acceptance	87,060,000	4.67% - 5.70%	87,989,189	87,989,189	–	–	–	–	–
Term loan 1	4,074,613	8.00%	4,377,618	–	4,377,618	–	–	–	–
Term loan 2	3,790,068	6.50%	3,893,445	3,139,038	754,407	–	–	–	–
Term loan 3	22,862,233	12.00%	25,067,173	–	25,067,173	–	–	–	–
Hire-purchase creditors	1,521,347	2.50% - 3.38%	1,661,696	703,958	518,934	213,126	161,148	64,530	–
Trade payables	28,023,152	5.10%	28,615,793	28,615,793	–	–	–	–	–
Trade and other payables, excluding derivatives	225,322,349	–	225,322,349	223,455,302	1,867,047	–	–	–	–
Derivative financial liabilities									
Forward contracts	2,570	–	2,570	2,570	–	–	–	–	–
	372,656,332		**376,929,833**	**343,905,850**	**32,585,179**	**213,126**	**161,148**	**64,530**	**–**

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Maturity analysis (continued)

The tables below summarise the maturity profile of the Company's financial liabilities as at the current financial year's reporting date based on undiscounted contractual payments:

Company	Carrying amount RM	Contractual interest rate % per annum	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM
30 June 2019								
Non-derivative financial liabilities								
Other payables and accruals	1,223,825	–	1,223,825	1,223,825	–	–	–	–
Amounts owing to subsidiaries	24,660	–	24,660	24,660	–	–	–	–
	1,248,485		1,248,485	1,248,485	–	–	–	–
30 June 2018								
Non-derivative financial liabilities								
Other payables and accruals	3,715,046	–	3,715,046	3,715,046	–	–	–	–
Amounts owing to subsidiaries	2,704,317	–	2,704,317	2,704,317	–	–	–	–
	6,419,363		6,419,363	6,419,363	–	–	–	–
Financial guarantees	–		148,616,994	148,616,994	–	–	–	–

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

Credit risk is the risk of financial loss resulting from counterparties' failure to discharge their contractual obligations. The Group's objectives on credit risk management are to minimise the probability of financial loss resulting from any counterparty's default.

The Group's exposure to credit risk arises primarily from cash and bank balances, trade and other receivables and related company (outside the Group) balances.

The Group has credit-control policies on credit sales, and the exposure to credit risk is monitored on a continuous basis through periodic review of the receivables' aging. Credit evaluations are performed on all customers and are reviewed annually. Credit terms and limits are assigned based on the financial strength of the customers; and where deemed appropriate corporate guarantees and personal indemnities are obtained from customers.

At the reporting date, the Group has significant concentration of credit risk in its trade receivables where the top 10 corporate customers' outstanding of the Cold Rolled and the Steel Tube subsidiaries represent about 88% (2018: 94%) and 43% (2018: 44%) of their respective trade receivables. At the reporting date, the Group has 2 (2018: 2) external customers that contributes to more than 10% of the Group's revenue. The revenue contributed by the said customers amounted to RM164.0 million (2018: RM172.6 million).

The Group's and the Company's major classes of financial assets are as disclosed in Note 34 to the financial statements and the credit analysis of these are presented in the tables and notes. The maximum exposure to credit risk for each class of financial assets is their respective carrying amount, except for 'trade debtors' where credit enhancement in the form of corporate guarantees and personal indemnities are obtained whenever possible.

Accounting policies applied from 1 July 2018

The Group and the Company has four types of financial instruments that are subject to the Expected Credit Loss ("ECL") model:

(i) Trade and other receivables
(ii) Amounts owing by subsidiaries
(iii) Contract assets
(iv) Financial guarantee contracts

Whilst cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the credit risks and any impetus for credit impairment has been determined to be immaterial. The Company does not have any financial guarantee contracts as at 30 June 2019.

(i) Trade receivables and contract assets using the simplified approach

The Group has with effect from current financial year changed its credit impairment policies from that based on 'incurred loss model' to MFRS 9 simplified approach in measuring expected credit losses which estimates a lifetime expected credit loss allowance for all trade receivables and contract assets. It has not increased on the opening allowance for impairment of trade receivables at the date of initial application of MFRS 9.

Information on the Group's accounting policy on impairment of trade receivables is disclosed in Note 2(h) to the financial statements.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

Accounting policies applied from 1 July 2018 (continued)

(ii) Other receivables and amount owing by subsidiaries using the general 3 stage approach

The Group uses four categories to reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's expected credit loss is as follows:

Category	Definition of category	Basis for recognition of expected credit loss provision
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected losses. Where the expected lifetime on an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Debtors for which there is a significant increase in credit risk due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation.	Lifetime expected losses
Non-performing	There is evidence indicating the assets are credit-impaired.	Lifetime expected losses
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Based on the above, loss allowance is measured on either 12 months ECL or lifetime ECL, by considering the likelihood that the debtor would not be able to repay during the contractual period, the percentage of contractual cash flows that will not be collected if default happens and the outstanding amount that is exposed to default risk. In addition, forward looking information such as the macroeconomic conditions has been incorporated into the determination of expected credit losses.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Accounting policies applied from 1 July 2018 (continued)

(ii) Other receivables and amount owing by subsidiaries using the general 3 stage approach (continued)

For the amount owing by subsidiaries that are repayable on demand, the calculation of ECL is based on the following assumptions:

- If the borrower has sufficient accessible highly liquid assets to repay the loan if demanded at the reporting date, the ECL is likely to be immaterial;
- If the borrower could not repay the loan if demanded at the reporting date, the Company considers the expected manner of recovery to measure the ECL. The recovery manner could be either through 'repayment over time' or a fire sale of less liquid assets by the borrower; and
- If the recovery strategies indicate that the Group would fully recover the outstanding balance of the loan, the ECL would be limited to the effect of the discounting of the amount due on the loan, at the loan's effective interest rates, over the period until the amount is fully recovered.

The reconciliation of loss allowance for trade and other receivables as at 30 June 2019 is disclosed in Note 20 to the financial statements.

(iii) The Group's collateral at the end of the reporting period is summarised as follows:

	Maximum exposure	Collateral and credit enhancement	Total
	RM	RM	RM
Trade receivables	29,173,511	55,967,503	85,141,014
Other receivables and staff loans	1,534,728	–	1,534,728
Deposits	4,099,729	–	4,099,729
Derivative financial assets	799,892	–	799,892
Deposits with licensed financial Institutions	42,378,888	–	42,378,888
Cash and bank balance	11,309,078	–	11,309,078
	89,295,826	55,967,503	145,263,329

The Company's maximum exposure to credit risk for each class of financial assets is the carrying amount of each class of financial assets presented in the statements of financial position.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Accounting policies applied from 1 July 2018 (continued)

(iv) Financial assets that are impaired

Group

Specific credit impairment based on the 'expected loss model' is made upon excessive aging above 60 days (as per the group's adopted 'impairment provision matrix') and /or the triggering of loss events where the presumption of payment is rebuttable.

Details of the Group's financial assets that are impaired and the reconciliation of the impairment as at the current financial year's reporting date are set out below:

	Trade receivables	Other receivables	Total
At 30 June 2019	**RM**	**RM**	**RM**
At gross amounts	86,982,346	8,972,139	95,954,485
Less: Accumulated impairment	(1,841,332)	(7,437,411)	(9,278,743)
	85,141,014	1,534,728	86,675,742
Accumulated impairment:			
At 1 July	1,778,050	7,405,611	9,183,661
Impairment charge for the financial year (Note 8)	84,693	31,800	116,493
Written-off	(21,411)	–	(21,411)
At 30 June	1,841,332	7,437,411	9,278,743

During the current financial year (based on the expected credit loss assessment):

- The Group's Engineering subsidiary made an impairment provision of RM63,282 as this late-aging debt above 60 days is not expected to be recovered;

- The Group's Steel Tube has made an impairment provision and subsequently written off a debt of RM21,411 due to the trigger of a loss event, and was determined to be unrecoverable. The Group's Steel Tube has also made an impairment provision on other receivables of RM31,800 due to excessive late-aging.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Accounting policies applied from 1 July 2018 (continued)

(iv) Financial assets that are impaired (continued)

Company

Details of the Company's financial assets that are impaired and the reconciliation of the impairment at the current financial year's reporting date are as set out below:

	Other receivables	Amounts owing by subsidiaries	Total
At 30 June 2019	**RM**	**RM**	**RM**
At gross amounts	1,102,470	74,804,588	75,907,058
Less: Accumulated impairment	(1,102,470)	(74,795,025)	(75,897,495)
	–	9,563	9,563
Accumulated impairment:			
At 1 July	1,102,470	36,930,244	38,032,714
Impairment charge for the financial year (Note 8)	–	37,864,781	37,864,781
At 30 June	1,102,470	74,795,025	75,897,495

The Company made a full impairment charge on the advances made to its wholly owned Engineering subsidiary of RM34,924,921 and other subsidiaries of RM2,939,860 due to significant credit risk, and was determined to be unrecoverable.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Accounting policies applied until 30 June 2018

Details of the Group's financial assets (excluding cash and bank balances) as at the preceding financial year's reporting date as comparison are set out as follows:

				Past due but not impaired					
	Total	Impaired	Neither past due nor impaired	< 30 days	31 – 60 days	61 – 90 days	91 – 180 days	> 181 days	Total past due not impaired
Group	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 30 June 2018									
Trade receivables	115,221,366	1,778,050	98,606,670	14,319,367	197,681	122,994	120,489	76,115	14,836,646
Other receivables	8,318,151	7,405,611	912,540	–	–	–	–	–	–
Amount due from customers	5,100,403	–	5,100,403	–	–	–	–	–	–
Deposits	4,937,453	–	4,937,453	–	–	–	–	–	–
Derivative financial assets	3,341,051	–	3,341,051	–	–	–	–	–	–
	136,918,424	9,183,661	112,898,117	14,319,367	197,681	122,994	120,489	76,115	14,836,646
Company									
At 30 June 2018									
Other receivables	1,104,781	1,102,470	2,311	–	–	–	–	–	–
Deposits	97,223	–	97,223	–	–	–	–	–	–
Amounts owing by subsidiaries	38,627,642	36,930,244	1,697,398	–	–	–	–	–	–
	39,829,646	38,032,714	1,796,932	–	–	–	–	–	–

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Accounting policies applied until 30 June 2018 (continued)

(i) Financial assets that are neither past due nor impaired

Financial assets under this category are mainly debts that are still within the approved credit period. Trade receivables represent the largest financial asset group in this category and are held under the following segments of the Group.

2018

Trade Receivables	Neither past due nor impaired RM
Cold rolled	69,557,832
Steel tube	28,977,262
Engineering	71,576
Total	98,606,670

The Group's trade receivables credit term ranges from cash terms to 90 days. None of the Group's trade receivables in this category have been negotiated during the financial year.

(ii) Financial assets that are past due but not impaired

The financial asset class necessitating overdue aging is the trade receivables. Trade receivables that are past due but not impaired are represented by the following segments:

2018

Trade Receivables	Past due but not impaired RM
Cold rolled	8,706,046
Steel tube	6,054,485
Engineering	76,115
Total	14,836,646

About 99.5% of the trade receivables in value reported in this category relate to the steel businesses. Of the total steel businesses' overdue outstanding of RM14.8 million, about RM5.6 million is backed by corporate guarantees and indemnities. Despite the stretched aging which reflects the norm of the industries, these amounts even at late aging are usually collected in full as about 94% of the counterparties have been with the Group for three years and above. As of the approval date of the preceding financial statements, the Group has received 99% of the outstanding amounts from these customers subsequent to the preceding financial year's reporting date.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Accounting policies applied until 30 June 2018 (continued)

(iii) Financial assets that are impaired

Group

Details of the Group's financial assets that are impaired and the reconciliation of the impairment as at the preceding financial year's reporting date are set out below:

At 30 June 2018	Trade receivables RM	Other receivables RM	Amount owing by an associate RM	Total RM
At gross amounts	115,221,366	8,318,151	–	123,539,517
Less: Accumulated impairment	(1,778,050)	(7,405,611)	–	(9,183,661)
	113,443,316	912,540	–	114,355,856
Accumulated impairment:				
At 1 July	712,858	779,498	44,821,208	46,313,564
Impairment charge for the financial year	1,411,649	6,626,113	79,800	8,117,562
Written-off	(346,457)	–	(44,901,008)	(45,247,465)
At 30 June	1,778,050	7,405,611	–	9,183,661

In the previous financial year, the following credit impairments were made:

- The Group's Engineering subsidiary made an impairment charge of RM1,411,649 on its Project #2 billed receivables of RM4,116,288;
- The Group made a full impairment charge on balance debt securities held in the foreign UK associate amounting to GBP15,000 (RM79,800) prior to the acquisition of its remaining shares. The debt (RM648,593) was subsequently fully written-off against the impairment allowance account upon acquisition of the associate on 17 October 2017;
- The Group wrote-off a total of RM45.2 million against past impairment provisions - as these have been determined to be unrecoverable.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Accounting policies applied until 30 June 2018 (continued)

(iii) Financial assets that are impaired (continued)

Company

Details of the Company's financial assets that are impaired and the reconciliation of the impairment at the preceding financial year's reporting date are as set out below:

At 30 June 2018	**Other receivables** RM	**Amounts owing by subsidiaries** RM	**Total** RM
At gross amounts	1,104,781	38,627,642	39,732,423
Less: Accumulated impairment	(1,102,470)	(36,930,244)	(38,032,714)
	2,311	1,697,398	1,699,709
Accumulated impairment:			
At 1 July	–	19,683,467	19,683,467
Impairment charge for the financial year	1,102,470	20,746,777	21,849,247
Write back of impairment for the financial year	–	(3,500,000)	(3,500,000)
At 30 June	1,102,470	36,930,244	38,032,714

In the previous financial year, the following credit impairments were made:

- The Company and a wholly owned subsidiary made a full impairment charge on the long-outstanding balance sums due from the ex-power associate amounting to RM1,102,470 for the Company and RM6,626,113 for the Group respectively;
- The Company made a full impairment charge on advances made to its wholly owned Engineering subsidiary of RM20,652,268, and other subsidiaries of RM94,509. There was also an impairment write-back of RM3,500,000 due to recovery from a subsidiary linked to the ex-power associate.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk

Interest rate risk is the risk that the future cash flows and/or fair valuations of the Group's and the Company's interest bearing financial instruments will be negatively impacted due to fluctuation in market interest rates. The Group's objective on interest rate risk management is to achieve a balance between re-pricing risks and minimising its weighted average borrowing cost.

The Group's interest bearing financial instruments are mainly its borrowings which comprise of both floating rate loan instrument, and fixed rate trade and credit instruments (utilised to finance raw coil material purchases and credit sales).

The floating rate loan instrument is subjected revision of the lender's cost of funds in computing the interest rate. In May 2019, Bank Negara Malaysia reduced the Overnight Policy Rate by 25 basis points. The lender for the floating-rate Term Loan did not followed through with any rate reduction on the grounds that its variable "cost-of-fund' has not changed. The lender for the floating-rate Mortgage Loan followed through with a rate reduction averaging 21 basis points in reflection of its change in 'cost-of-fund'.

The short-term fixed rate trade and credit instruments are subject to re-pricing upon frequent rollover every 3 to 4 months. Despite the frequent re-pricing, the risk has generally been low as domestic interest rate has generally been stable except for the mentioned 25 basis point reduction made on the Overnight Policy Rate in early May 2019 during the current financial year.

The Group and the Company also have interest bearing asset instruments, comprised mainly of fixed interest bearing short-term deposits subject to frequent but generally stable re-pricing. Neither the Group nor the Company holds any interest-rate derivatives during and at the close of the current financial year.

Details of the interest bearing financial liability instruments for the Group are as follows:

	Group	
	2019 RM	**2018 RM**
Current		
Fixed rate borrowings, denominated in RM	83,172,754	114,632,333
Floating rate borrowings, denominated in RM	5,291,127	3,040,068
Fixed rate credit from supplier, denominated in RM (Note 25)	9,478,060	28,023,152
Non-current		
Fixed rate borrowings, denominated in RM	3,525,837	885,860
Floating rate borrowings, denominated in RM	18,149,290	750,000
	119,617,068	147,331,413

The risk impact for the floating rate financial liability instruments had the overall interest rates being 1% higher, is that the Group's profit after tax for financial year 2019 would be lower by RM178,147 (2018: RM28,805). A 1% lower interest rate would have the equal but opposite effect to the aforementioned amounts.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Foreign currency exchange risk

Foreign currency risk is the risk that the fluctuation of foreign exchange (FX) rates may negatively impact fair value or future cash-flow of financial instruments in currencies other than its own functional currency. The Group's foreign currency risk management objective is to minimise foreign currency exposure on financial instruments that may give rise to fluctuation in fair value or future cash-flows.

The Group's revenue streams from both its subsidiaries are mainly denominated in Ringgit Malaysia which are their functional currencies. The Cold Rolled and the Steel Tube subsidiaries' raw material coils are however mostly imported from abroad and denominated in USD. The Steel Tube operation derives a small portion of its revenue (around 7.2%) from export sales denominated mainly in SGD. In summary, the Group FX exposure is mainly in USD-short and to a lesser extent SGD-long. The Company is not exposed to any FX risk.

As a policy, the Group would seek natural hedge methods to mitigate its FX exposure before incepting any derivatives as hedging instrument. On this, the Group would hedge at least 80% of its net FX exposure with a matching FX forward contract (depending on the availability of its limited FX facilities with the counterparty banks, and on the length of the forward duration periods) to facilitate future payment in that foreign currency. In this regard, the Group designates qualifying FX hedges for fair value hedge accounting over the reporting period on effective FX forwards incepted to hedge the Group's USD exposure arising from its imported raw materials. These hedges are designated on inception after been tested for prospective effectiveness using the 'dollar-offset' ratio method. On Steel Tube's affirmed export sales in foreign currencies, the Group would sell forward around 25% of its future foreign currency receivables. But these FX forwards are usually not hedge accounted as they do not fulfil all the criteria for hedge accounting, but are fair valued through profit or loss. Further disclosures are made in Note 21 on derivatives.

A summary of the realised and unrealised gain/(loss) from incepted hedging instruments (being foreign exchange forwards) and the hedged items (being receivables or payables in foreign currencies) over the twelve months period for the current and the preceding financial year as comparison are outlined below:

	2019			2018		
	Unrealised RM'000	Realised RM'000	Total RM'000	Unrealised RM'000	Realised RM'000	Total RM'000
FX Fair Value						
FX Hedging Instrument						
Not hedge accounted	(4)	245	241	65	74	139
Hedge accounted	574	1,736	2,310	3,274	(12,995)	(9,721)
	570	1,981	2,551	3,339	(12,921)	(9,582)
FX Hedged Items						
Not hedge accounted	197	(731)	(534)	(486)	1,080	594
Hedge accounted	(574)	(1,736)	(2,310)	(3,274)	12,995	9,721
	(377)	(2,467)	(2,844)	(3,760)	14,075	10,315
Net FX (loss)/gain	193	(486)	(293)	(421)	1,154	733

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Foreign currency exchange risk (continued)

Details of the Group's foreign currencies exposure in its Ringgit Malaysia functional currency as at the reporting date (and preceding financial year's reporting date) are set out in the respective tables below.

	From USD	From EURO	From SGD	From GBP	Total
As at 30 June 2019					
Financial assets					
Trade and other receivables	105,170	–	5,193,607	70,206	5,368,983
Cash and bank balances	85,468	–	388,897	74,566	548,931
	190,638	–	5,582,504	144,772	5,917,914
Less: Financial liabilities					
Trade and other payables	(115,790,517)	(54,681)	–	–	(115,845,198)
Net financial (liabilities)/assets	(115,599,879)	(54,681)	5,582,504	144,772	(109,927,284)
Off balance sheet					
Contracted commitments	(47,953,227)	–	–	–	(47,953,227)
Less: Forward foreign currency contracts at notional value at closing rate	145,278,995	–	(1,102,884)	–	144,176,111
Net currency exposure	(18,274,111)	(54,681)	4,479,620	144,772	(13,704,400)
As at 30 June 2018					
Financial assets					
Trade and other receivables	170,983	–	4,563,418	76,618	4,811,019
Cash and bank balances	231,059	–	318,690	159,116	708,865
	402,042	–	4,882,108	235,734	5,519,884
Less: Financial liabilities					
Trade and other payables	(146,784,762)	(30,196)	–	–	(146,814,958)
Net financial (liabilities)/assets	(146,382,720)	(30,196)	4,882,108	235,734	(141,295,074)
Off balance sheet					
Contracted commitments	(29,389,357)	–	–	–	(29,389,357)
Less: Forward foreign currency contracts at notional value at closing rate	155,483,292	–	(889,874)	–	154,593,418
Net currency exposure	(20,288,785)	(30,196)	3,992,234	235,734	(16,091,013)

'Net currency exposure' if positive is in long position, and if negative is in short position of the captioned foreign currency.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Foreign currency exchange risk (continued)

The Company does not have any foreign currency exposure for the current financial year ended 30 June 2019.

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in the US Dollar ("USD"), Euro Dollar ("EURO"), Singapore Dollar ("SGD"), and Great British Pounds ("GBP") exchange rates against RM, with all other variables in particular interest rates held constant.

	Increase/(decrease)	
	2019 RM	2018 RM
<u>Group</u>		
RM appreciates against USD by 3%	416,650	462,584
RM appreciates against EURO by 3%	1,247	688
RM appreciates against SGD by 3%	(102,135)	(91,023)
RM appreciates against GBP by 3%	(3,301)	(5,375)

A 3% weakening of the above currencies against the RM would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

5 FAIR VALUE

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (including non-trade intercompany balances). The determination of the fair value for other financial assets and liabilities may require the application of certain valuation methods.

<u>Fair value estimation</u>

The table below analyses financial instruments carried at fair value by valuation methods. The different levels have been defined as follows:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

5 FAIR VALUE (CONTINUED)

Fair value estimation (continued)

The following table presents the Group's financial assets/(liabilities) that are measured at fair value on reporting date:

Group

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Assets				
Foreign currency exchange forward contracts	–	799,892	–	799,892
Liabilities				
Foreign currency exchange forward contracts	–	(230,010)	–	(230,010)
2018				
Assets				
Foreign currency exchange forward contracts	–	3,341,051	–	3,341,051
Liabilities				
Foreign currency exchange forward contracts	–	(2,570)	–	(2,570)

The fair value of financial instruments that are not traded in an active market, such as those foreign currency exchange forward contracts held by the Group at the close of the financial year, is determined by way of marking-to-market the underlying variable using published market rates or as quoted by counterparty financial institutions and with the resulting value discounted back to present value if the maturity tenure is material. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates, and is classified under Level 2. Those foreign currency exchange forward contracts with marked-to-market positive fair value is classified as derivative financial assets, whilst those with marked-to-market negative fair value is classified as derivative financial liabilities. The Group does not hold any financial assets where fair values are assessed at Level 1 and Level 3.

5 FAIR VALUE (CONTINUED)

Fair value estimation (continued)

The following table presents the Company's financial assets that are measured at fair value on reporting date:

Company

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Assets				
Free detachable warrants	1,616,402	–	–	1,616,402
2018				
Assets				
Free detachable warrants	–	–	–	–

The Company had fully subscribed for its entitlement of renounceable rights issue of 40,410,044 new ordinary shares in its subsidiary Mycron Steel Berhad at 30 sens per rights share (on the basis of 1 Rights Share for every 5 Mycron Shares held) together with 20,205,022 free detachable warrants which were listed on Bursa Malaysia Main Market on 31 January 2019. See Note 15(a). The Company's holding of these warrants are fair valued at assessment 'Level 1' at initial recognition and at the end of each reporting period by way of marking-to its published market closing price on Bursa Malaysia. Changes in fair value from period to period are charged to Profit & Loss.

6 REVENUE

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Revenue from contracts with customers:				
Sales of goods	689,584,636	788,606,161	–	–
Construction contracts	1,268,915	24,518,497	–	–
Processing service income	2,452,840	2,928,397	–	–
Marketing fees	–	40,330	–	–
Management fees	–	–	3,720,000	3,270,000
	693,306,391	816,093,385	3,720,000	3,270,000
Revenue from other sources:				
Dividend income	–	–	1,200,000	800,000
Rental income	764,160	–	3,693,328	4,963,860
	764,160	–	4,893,328	5,763,860
Total revenue	694,070,551	816,093,385	8,613,328	9,033,860

Further disaggregation of revenue from contracts with customers by timing and sub-categories for the current financial year are as follows:

Group

	Timing of Revenue Recognition – FY 2019			
	At a point in time Local RM	**Abroad RM**	**Over time Local RM**	**Total RM**
Segments				
Steel tube	236,540,070	18,782,089	1,903,223	257,225,382
Cold rolled	429,450,062	4,788,895	549,617	434,788,574
Engineering	254,004	–	1,014,911	1,268,915
Others	23,520	–	–	23,520
	666,267,656	23,570,984	3,467,751	693,306,391
Major goods & service lines				
Sales of primary goods				
- Steel tubes and pipes	229,907,815	18,782,089	–	248,689,904
- Cold rolled coils	417,386,205	4,788,895	–	422,175,100
Sales of steel scrap and by-products	18,719,632	–	–	18,719,632
Processing service income	–	–	2,452,840	2,452,840
Construction contracts	254,004	–	1,014,911	1,268,915
	666,267,656	23,570,984	3,467,751	693,306,391

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(continued)

6 REVENUE (CONTINUED)

Group (continued)

On the revenue derived from foreign sources, around 73% are from Singapore, 17% are from United States of America, with the balance in negligible proportion from United Kingdom, Indonesia, Kuwait and Sri Lanka.

No assets have been recognised from costs incurred to obtain contracts with customers.

Details on revenue from construction contracts recognised over time, and judgements made in-relation to these are disclosed in Note 17.

Company

	2019 RM
Revenue from contracts with customers:	
Management fees	
- recognised over time	3,720,000

7 OTHER OPERATING INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net gain on disposals of property, plant and equipment (Note 8)	1,370,219	22,214	–	1,208
Sales of used drums and oil	156,996	69,515	–	–
Interest charged to subsidiary	–	–	–	954,058
Gain on disposal of an associate	–	4	–	–
Gain on de-recognition of an associate	–	82,698	–	–
Others	31,348	46,508	–	–
	1,558,563	220,939	–	955,266

8 PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
The following expenses have been charged/(credited) in arriving at profit/(loss) before tax:				
Auditors' remuneration:				
- statutory audit	641,840	659,740	213,700	210,000
- non-audit services	26,810	26,010	13,650	13,250
Professional fees	2,004,989	3,025,963	644,385	1,196,749
Changes in inventories of finished goods and work in progress	11,760,249	(14,350,882)	–	–
Raw materials consumed	595,940,253	662,923,381	–	–
Consumables (inventories) consumed	13,252,189	15,994,054	–	–
Property, plant and equipment (Note 13):				
- depreciation	20,299,445	19,780,483	156,758	205,668
- write-offs	4,971	200,883	–	–
- impairment losses	1,928,576	1,182,414	1,483	254,598
- net gain on disposal (Note 7)	(1,370,219)	(22,214)	–	(1,208)
Fair value (gain)/loss on				
- investment properties (Note 14)	(700,000)	–	(6,400,000)	(851,125)
- derivative assets (Note 21)	–	–	38,390	–
Staff costs - excluding Directors' remuneration	38,753,727	42,459,078	1,144,458	1,419,770
Rental of building	434,840	349,638	138,170	136,232
Impairment losses/(write back of impairment losses):				
- investment in subsidiaries	–	–	5	–
- amounts owing by subsidiaries (Note 4(c)(iv))	–	–	37,864,781	17,246,777
- amounts owing by an associate (Note 4(c)(iv))	–	79,800	–	–
- trade receivables (Note 4(c)(iv) & 20)	84,693	1,411,649	–	–
- other receivables (Note 4(c)(iv))	31,800	6,626,113	–	1,102,470
- inventories	(454)	46,067	–	–
- goodwill	–	832,151	–	–
Net foreign exchange loss/(gain)				
- realised	486,712	(1,154,012)	–	–
- unrealised	(193,251)	420,887	–	–

8 PROFIT/(LOSS) BEFORE TAX (CONTINUED)

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
The following expenses have been charged/(credited) in arriving at profit/(loss) before tax: (continued)				
Provision for onerous contract reversed during the year	(5,135,630)	(9,848,856)	–	–
Write-back of cost provision on Project #1 (Note 25)	(57,238)	(11,303,211)	–	–
Additional provision made on Project #2 (Note 25)	4,249,068	1,422,323	–	–
Provision (reversed)/made for liquidated ascertained damages (Note 25)	(8,392,016)	1,300,000	–	–
Provision (reversed)/made for defects liability period (Note 25)	(3,223,009)	3,682,217	–	–
Waiver of amount owing to client for Project #1 (Note 17)	(40,615,839)	–	–	–
Waiver on retention sum due from client for Project #1 (Note 17)	2,098,004	–	–	–

Staff costs of the Group and of the Company include contributions to Employee Provident Fund of RM4,429,895 (2018: RM4,280,912) and RM164,608 (2018: RM164,805) respectively.

9 FINANCE INCOME AND COSTS

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Finance income:				
Interest on deposits with financial institutions	(1,589,019)	(1,521,627)	(131,091)	(111,462)
Finance costs on:				
- Borrowings	5,419,060	7,050,651	–	–
- Hire-purchase	192,777	90,228	–	–
- Suppliers' credit	1,292,014	3,524,867	–	–
Total finance costs	6,903,851	10,665,746	–	–
Net finance costs/(income)	5,314,832	9,144,119	(131,091)	(111,462)

Interest income are derived mostly from fixed-deposits and money-market REPO (repurchase agreement) with Banks for very short tenure placements.

10 DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received/receivable by Directors of the Group and of the Company are as follows:

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Non-Executive Directors:				
- fees	566,158	493,500	247,615	244,500
- allowances	60,500	82,000	33,500	45,500
- estimated monetary value of benefits-in-kind	9,899	17,658	6,599	12,356
Executive Directors:				
- salaries, bonuses and other emoluments	4,887,669	5,008,023	1,562,388	2,089,620
- allowance	101,349	61,600	45,614	61,600
- estimated monetary value of benefits-in-kind	130,602	105,354	40,418	44,997
- defined contribution plan	629,198	652,388	243,009	319,969
	6,385,375	6,420,523	2,179,143	2,818,542

The numbers of Directors of the Company whose total remuneration paid by the Company falling within certain bands are outlined below:

	Number of Directors	
	2019	**2018**
Executive Directors:		
RM400,001 – RM450,000	1	–
RM1,000,001 – RM1,050,000	–	1
RM1,450,001 – RM1,500,000	1	1
Non-Executive Directors:		
Less than RM50,000	4	2
RM50,001 – RM100,000	3	4

One of the Executive Director has been re-designated to Non-Executive Director during the current financial year.

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11 TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current Malaysia tax:				
- current year	3,383,595	5,912,959	706,641	811,714
- over accrual in the prior year	(113,142)	(40,687)	(6,152)	(18,548)
	3,270,453	5,872,272	700,489	793,166
Real property gain tax ('RPGT')	839,202	–	786,702	–
Deferred taxation (Note 18):				
- origination and reversal of temporary differences	(1,922,817)	1,350,483	987,797	(3,436,533)
Tax expense/(credit)	2,186,838	7,222,755	2,474,988	(2,643,367)

The explanation of the relationship between tax expense/(credit) and profit/(loss) before tax is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before tax	29,801,694	11,244,427	(28,281,927)	(14,900,236)
Tax calculated at the Malaysian tax rate of 24% (2018: 24%)	7,152,407	2,698,662	(6,787,662)	(3,576,057)
Tax effects of:				
- expenses not deductible for tax purposes	2,203,962	4,827,060	9,433,660	4,788,942
- income not subject to tax	(1,999,291)	(1,229,857)	(951,560)	(192,000)
- exempt income	–	(37,392)	–	–
- over accrual in the prior year	(113,142)	(40,687)	(6,152)	(18,548)
- reversal of deferred tax due to RPGT impact	839,202	–	786,702	–
- change in tax rate arising from change in manner of recovery	886,502	146,301	–	(3,645,704)
- movement in deductible temporary differences not recognised	(6,782,802)	858,668	–	–
Tax expense/(credit)	2,186,838	7,222,755	2,474,988	(2,643,367)

12 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

	Group	
	2019 RM	**2018 RM**
Profit/(Loss) attributable to owners of the Company	30,757,145	(667,999)
Weighted average number of ordinary shares in issue (net of treasury shares)	341,046,560	235,242,383*
Basic earnings/(loss) per share (sen)	9.02	(0.28)

* Basic EPS for the comparative year which was previously stated at (0.30) sens has been restated for the effects of the 'Rights Issue with free warrant' concluded in the first quarter of the current financial year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented given that the issued and listed warrants are in an anti-dilutive position since its exercisable price (at 40 sens) is above the market price of the listed mother share at the close of the current financial year. Accordingly, the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Leasehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Spare parts	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2019								
Cost/Valuation								
At 1 July 2018								
- Cost	–	–	–	–	14,226,071	637,810	3,421,740	18,285,621
- Valuation	57,100,000	81,400,000	72,511,322	185,941,091	–	–	–	396,952,413
	57,100,000	81,400,000	72,511,322	185,941,091	14,226,071	637,810	3,421,740	415,238,034
Additions	–	774,000	623,776	4,937,960	2,090,858	260,792	6,376,461	15,063,847
Disposals	–	–	–	(3,041,472)	(1,008,260)	–	–	(4,049,732)
Write-offs	–	–	–	(4,971)	(6,641)	–	–	(11,612)
Revaluation during the financial year	2,900,000	8,230,174	4,323,104	523,233	–	–	–	15,976,511
Effects of elimination of accumulated depreciation on revaluation	–	(1,204,174)	(6,346,880)	(10,579,916)	–	–	–	(18,130,970)
Asset classified as investment property (Note 14)	–	(9,800,000)	(2,000,000)	(33,000)	–	–	–	(11,833,000)
Reclassification	–	–	–	3,630,979	393	(256,081)	(3,375,291)	–
At 30 June 2019	60,000,000	79,400,000	69,111,322	181,373,904	15,302,421	642,521	6,422,910	412,253,078

Notes to the Financial Statements
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(continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land	Leasehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Spare parts	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2019								
Less: Accumulated depreciation								
At 1 July 2018	–	–	–	–	8,578,130	–	–	8,578,130
Charge for the financial year (Note 8)	–	1,204,174	6,346,880	11,705,474	1,042,917	–	–	20,299,445
Disposals	–	–	–	(1,125,558)	(742,150)	–	–	(1,867,708)
Write-offs	–	–	–	–	(6,641)	–	–	(6,641)
Effects of elimination of accumulated depreciation on revaluation	–	(1,204,174)	(6,346,880)	(10,579,916)	–	–	–	(18,130,970)
At 30 June 2019	–	–	–	–	8,872,256	–	–	8,872,256
Less: Accumulated impairment loss								
At 1 July 2018	–	–	–	23,659,745	100,274	–	–	23,760,019
Charge for the financial year (Note 8)	–	–	–	1,928,576	–	–	–	1,928,576
Disposals	–	–	–	(1,880,055)	–	–	–	(1,880,055)
At 30 June 2019	–	–	–	23,708,266	100,274	–	–	23,808,540
Net book value								
At 30 June 2019	60,000,000	79,400,000	69,111,322	157,665,638	6,329,891	642,521	6,422,910	379,572,282
Representing:								
- Cost	–	–	–	–	6,329,891	642,521	6,422,910	13,395,322
- Valuation	60,000,000	79,400,000	69,111,322	157,665,638	–	–	–	366,176,960
	60,000,000	79,400,000	69,111,322	157,665,638	6,329,891	642,521	6,422,910	379,572,282

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land	Leasehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Spare parts	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2018								
Cost/Valuation								
At 1 July 2017								
- Cost	–	–	–	–	13,232,096	462,845	282,914	13,977,855
- Valuation	57,100,000	78,560,000	75,045,102	214,373,930	–	–	–	425,079,032
	57,100,000	78,560,000	75,045,102	214,373,930	13,232,096	462,845	282,914	439,056,887
Additions	–	–	48,875	3,029,947	1,497,778	256,081	3,375,291	8,207,972
Disposals	–	–	–	(52,710)	(388,411)	–	–	(441,121)
Write-offs	–	–	–	(199,375)	(133,157)	–	–	(332,532)
Revaluation during the financial year	–	4,788,782	3,396,830	990,926	–	–	–	9,176,538
Effects of elimination of accumulated depreciation on revaluation	–	(1,300,620)	(5,391,322)	(12,024,411)	–	–	–	(18,716,353)
Acquisition of a subsidiary	–	–	–	–	143,005	–	–	143,005
Assets classified as held-for-sale (Note 24)	–	(648,162)	(588,163)	(20,435,213)	(178,680)	–	–	(21,850,218)
Reclassification	–	–	–	257,997	59,584	(81,116)	(236,465)	–
Currency translation differences	–	–	–	–	(6,144)	–	–	(6,144)
At 30 June 2018	57,100,000	81,400,000	72,511,322	185,941,091	14,226,071	637,810	3,421,740	415,238,034

Notes to the Financial Statements
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(continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land	Leasehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Spare parts	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2018								
Less: Accumulated depreciation								
At 1 July 2017	–	–	–	–	8,140,517	–	–	8,140,517
Charge for the financial year (Note 8)	–	1,309,926	5,417,550	12,028,460	1,024,547	–	–	19,780,483
Disposals	–	–	–	(1,008)	(278,693)	–	–	(279,701)
Write-offs	–	–	–	(3,041)	(128,608)	–	–	(131,649)
Effects of elimination of accumulated depreciation on revaluation	–	(1,300,620)	(5,391,322)	(12,024,411)	–	–	–	(18,716,353)
Assets classified as held-for-sale (Note 24)	–	(9,306)	(26,228)	–	(178,680)	–	–	(214,214)
Currency translation differences	–	–	–	–	(953)	–	–	(953)
At 30 June 2018	–	–	–	–	8,578,130	–	–	8,578,130
Less: Accumulated impairment loss								
At 1 July 2017	–	–	–	42,234,490	100,274	–	–	42,334,764
Charge for the financial year (Note 8)	–	–	–	1,182,414	–	–	–	1,182,414
Assets classified as held-for-sale (Note 24)	–	–	–	(19,757,159)	–	–	–	(19,757,159)
At 30 June 2018	–	–	–	23,659,745	100,274	–	–	23,760,019
Net book value								
At 30 June 2018	57,100,000	81,400,000	72,511,322	162,281,346	5,547,667	637,810	3,421,740	382,899,885
Representing:								
- Cost	–	–	–	–	5,547,667	637,810	3,421,740	9,607,217
- Valuation	57,100,000	81,400,000	72,511,322	162,281,346	–	–	–	373,292,668
	57,100,000	81,400,000	72,511,322	162,281,346	5,547,667	637,810	3,421,740	382,899,885

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Building	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
	RM	RM	RM	RM
2019				
Cost/Valuation				
At 1 July 2018				
- Cost	–	–	1,681,485	1,681,485
- Valuation	111,322	873,802	–	985,124
	111,322	873,802	1,681,485	2,666,609
Additions	–	–	5,100	5,100
Disposals	–	–	(37,389)	(37,389)
Revaluation during the financial year	–	54,724	–	54,724
Elimination of accumulated depreciation on revaluation	–	(83,241)	–	(83,241)
Write-off	–	–	(3,395)	(3,395)
At 30 June 2019	111,322	845,285	1,645,801	2,602,408
Less: Accumulated depreciation				
At 1 July 2018	–	–	1,352,922	1,352,922
Charge for the financial year	–	83,241	73,517	156,758
Disposals	–	–	(37,389)	(37,389)
Elimination of accumulated depreciation on revaluation	–	(83,241)	–	(83,241)
Write-off	–	–	(3,395)	(3,395)
At 30 June 2019	–	–	1,385,655	1,385,655
Less: Accumulated impairment loss				
At 1 July 2018	–	286,802	80,595	367,397
Charge for the financial year (Note 8)	–	1,483	–	1,483
At 30 June 2019	–	288,285	80,595	368,880
Net book value				
At 30 June 2019	111,322	557,000	179,551	847,873
Representing:				
- Cost	–	–	179,551	179,551
- Valuation	111,322	557,000	–	668,322
	111,322	557,000	179,551	847,873

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Building	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
	RM	RM	RM	RM
2018				
Cost/Valuation				
At 1 July 2017				
- Cost	–	–	1,675,799	1,675,799
- Valuation	111,322	906,204	–	1,017,526
	111,322	906,204	1,675,799	2,693,325
Additions	–	–	6,800	6,800
Disposals	–	–	(856)	(856)
Revaluation during the financial year	–	57,320	–	57,320
Elimination of accumulated depreciation on revaluation	–	(89,722)	–	(89,722)
Write-off	–	–	(258)	(258)
At 30 June 2018	111,322	873,802	1,681,485	2,666,609
Less: Accumulated depreciation				
At 1 July 2017	–	–	1,238,090	1,238,090
Charge for the financial year	–	89,722	115,946	205,668
Disposals	–	–	(856)	(856)
Elimination of accumulated depreciation on revaluation	–	(89,722)	–	(89,722)
Write-off	–	–	(258)	(258)
At 30 June 2018	–	–	1,352,922	1,352,922
Less: Accumulated impairment loss				
At 1 July 2017	–	32,204	80,595	112,799
Charge for the financial year (Note 8)	–	254,598	–	254,598
At 30 June 2018	–	286,802	80,595	367,397
Net book value				
At 30 June 2018	111,322	587,000	247,968	946,290
Representing:				
- Cost	–	–	247,968	247,968
- Valuation	111,322	587,000	–	698,322
	111,322	587,000	247,968	946,290

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) Valuation of certain property, plant and equipment

Fair value of the Group's land and building at the end of the financial year as determined by the professional valuers are within level 2 of the fair value hierarchy.

Land and buildings of the Group were revalued in June 2019 by an independent firm of professional valuers, PA International Property Consultants (KL) Sdn Bhd based on an open market value basis.

Fair value of the Group's plant, machinery, and electrical installation at the end of the financial year as determined by the professional valuer is within level 3 of the fair value hierarchy. Please refer to Note 13(v) for the details of fair value measurements using significant unobservable input (level 3).

The total revaluation surplus of RM15,976,511 (2018: RM9,176,538) was credited directly to asset revaluation reserve account and its related deferred taxation arising from the revaluation was provided accordingly (Note 18). The net revaluation deficit amounting to RM1,928,576 (2018: RM1,406,414) was taken up as impairment loss in profit or loss.

At the close of the preceding financial year, the Group's Cold Rolled subsidiary had firm plans to upgrade a certain production line and to replace certain legacy motors of another production line which will affect the said assets' carrying revalued amount. At the close of the current financial year, the Company has replaced the motors and is in progress of upgrading the production line. In reassessing the affected assets' fair value of the components to be replaced, there is a reduction of impairment provision of RM189,000 from the RM6,564,000 carrying provision recognised in prior year as summarised in the table below, and is duly reflected in the impairment loss on property, plant and equipment in the Statement of Profit or Loss for the current financial year.

	All in RM'000			
	Impairment provision	**Opening carrying provision**	**Disposal**	**Decrease required in current FY 2019**
Production Line A: up-grade	4,941	5,083	–	(142)
Production Line B: motor replacement	–	1,481	(1,434)	(47)
	4,941	6,564	(1,434)	(189)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) Valuation of property, plant and equipment (continued)

The net book values of the revalued property, plant and equipment that would have been included in the financial statements had these assets been carried at deemed cost less accumulated depreciation are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Freehold land	31,300,000	31,300,000	–	–
Leasehold land	38,559,042	43,283,386	–	–
Buildings	59,545,241	64,549,619	111,322	111,322
Plant, machinery and electrical installation	177,252,770	184,065,154	437,160	776,349
	306,657,053	323,198,159	548,482	887,671

The fair value of property, plant and equipment is individually determined periodically, with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting date. The valuers have relied on the following methodologies:

- Freehold land, leasehold land and buildings - open market basis by reference to observable prices per square feet in an active market or recent market transactions on arm's length terms (Level 2).
- Plant and machinery - depreciated replacement cost method, which is based on the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (Level 3).

(ii) Assets acquired under hire-purchase arrangements

Additions to property, plant and equipment of the Group during the financial year amounting to RM15,063,847 (2018: RM8,207,972) includes those acquired by means of hire-purchase arrangements totalling RM6,701,826 (2018: RM1,267,225). As at 30 June 2019, the net book value of the property, plant and equipment under hire-purchase arrangements in the Group is RM8,493,993 (2018: RM2,258,646).

(iii) Assets pledged as securities

Freehold land, buildings, plant, machinery and electrical installation of subsidiaries with a net book value of RM312.5 million (2018: RM284.8 million) are pledged as securities for certain banking facilities granted to the Group. Refer Note 26 to the financial statements for further details.

(iv) Assets classified as investment property

At the beginning of the current financial year, a piece of leasehold land and factory buildings thereon known as Lot 16, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor (which was previously rented to the steel tube company within the Group but vacated pursuant to a rationalisation exercise) was rented out to an external party. As a result of the change in the manner the asset is used and recovered, this piece of leasehold land and buildings thereon was reclassified from 'property, plant and equipment' to 'investment property' (see Note 14).

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(v) Fair value measurements using significant unobservable inputs (Level 3)

	Plant, machinery and electrical installation	
	2019 **RM**	**2018** **RM**
Opening balance	162,281,346	172,139,440
Additions	4,937,960	3,029,947
Disposals	(1,161,417)	(52,710)
Write-offs	(4,971)	(199,375)
Revaluation during the financial year	523,233	990,926
Impairment charge for the financial year	(1,928,576)	(1,182,414)
Effects of elimination of accumulated depreciation on revaluation	(10,579,916)	(12,024,411)
Assets classified as held-for-sale	–	(678,054)
Assets classified as investment property	(33,000)	–
Transfer from construction work-in-progress and spare parts	3,630,979	257,997
Closing balance	157,665,638	162,281,346

The following table presents the valuation techniques and key inputs that were used to determine the fair value of plant, machinery and electrical installation categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 30 June 2019 RM	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Plant, machinery and electrical installation	157,665,638	Depreciated replacement cost method	Useful life	1 year – 40 years (21)	The longer the useful life, the higher the fair value

The external valuation of the Level 3 plant, machinery and electrical installation have been performed using depreciated replacement cost approach. The external valuer, in discussion with the Group's management, has determined the unobservable input based on the useful life of the plant, machinery and electrical installation.

As at 30 June 2019, if the unobservable input based on the useful life of the plant, machinery and electrical installation increases/decreases by one year, the fair value of the plant, machinery and electrical installation will increase/decrease by approximately RM11 million (2018: RM12 million) respectively.

14 INVESTMENT PROPERTIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Leasehold land and buildings				
At 1 July	–	–	63,000,000	88,100,000
Reclassification – Property, plant and equipment (Note 13)	11,833,000	–	–	–
Addition during the financial year	–	–	–	48,875
Fair value gain during the financial year (Note 8)	700,000	–	6,400,000	851,125
Reclassification – Non-current assets held-for-sale (Note 24)	–	–	–	(26,000,000)
At 30 June	12,533,000	–	69,400,000	63,000,000

The Company's investment properties are unencumbered and their closing fair values are determined based on methods within Level 2 of the fair value hierarchy by independent valuers.

Level 2 fair values of the Company's properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter.

The fair values of the properties at the close of the current financial year have been determined by PA International Property Consultants (KL) Sdn Bhd – an independent professional valuation firm.

Group

A piece of leasehold land and factory buildings erected thereon known as Lot 16, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor was reclassified from 'property, plant and equipment' to 'investment property' with effect from 1 July 2018 in tandem with its change of use from 'internal to the Group' to 'an external party to the Group' (Note 13).

Direct operating expenses attributable to the rental income generated from the investment properties at Group level totaled RM63,979 (2018: Nil).

Company

The Company had on 20 November 2017 entered into a conditional agreement to dispose a piece of leasehold land and factory buildings erected thereon known as Lot 53, Persiaran Selangor, Shah Alam, Selangor Darul Ehsan to Melewar Steel Tube Sdn Bhd ("MST"), a wholly-owned subsidiary of Mycron Steel Berhad for RM26.0 million. Consequently, the said Property was reclassified to non-current assets held-for-sale in the previous financial year ended 30 June 2018 (see Note 24). This transaction was duly completed on 30 August 2018.

At the close of the current financial year, the Company still holds two investment properties being leasehold land with factory buildings erected thereon which are rented out to MST.

Direct operating expenses attributable to the rental income generated from the investment properties at Company level totaled RM550,941 (2018: RM711,968).

15 INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Investment in subsidiaries at cost:		
- Quoted shares	87,844,865	77,376,643
- Unquoted shares	26,472,820	26,472,820
	114,317,685	103,849,463
Less: Accumulated impairment losses	(25,802,820)	(25,802,815)
	88,514,865	78,046,648
Market value of quoted shares	72,738,080	77,789,335

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %
Mycron Steel Berhad ("MSB") [1]	Investment holding and provision of management services to subsidiaries	74.1	71.3
Melewar Steel Services Sdn Bhd ("MSS") [1]	Property investment	100.0	100.0
Melewar Steel Assets Sdn Bhd ("MSA") [1]	Investment holding	100.0	100.0
Melewar Steel Mills Sdn Bhd ("MSM") [1]	Trading of steel and iron products/scrap	100.0	100.0
Melewar Integrated Engineering Sdn Bhd ("MIE") [1]	Provision of engineering and technical consultancy services	100.0	100.0
Melewar Steel Engineering Sdn Bhd ("MSE") [1]	Investment holding	100.0	100.0

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name	Principal activities	Group's effective interest 2019 %	Group's effective interest 2018 %
Melewar Ecology Sdn Bhd ("MEco") [(1)]	Dormant	100.0	100.0
Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard") [(1)]	Supply and construct quick assembly homes	100.0	100.0
Melewar Imperial Limited ("MIL") [(1)]	Investment holding	100.0	100.0
<u>Subsidiaries of MSB</u>			
Mycron Steel CRC Sdn Bhd ("MCRC") [(1)]	Manufacturing and trading of steel cold rolled coiled sheets	74.1	71.3
Melewar Steel Tube Sdn Bhd ("MST") [(1)]	Manufacturing, distribution and trading of steel tubes and pipes	74.1	71.3
<u>Subsidiary of MCRC</u>			
Silver Victory Sdn Bhd ("SV") [(1)]	Trading of steel related products	74.1	71.3
<u>Subsidiary of MSM</u>			
Melewar Mycrosmelt Technology Ltd ("MMTL") [(2)]	Smelting / billet making technology owner	100.0	100.0
<u>Subsidiary of MIL</u>			
Melewar Steel UK Ltd ("MSUK") [(3)]	Distribution of steel tubes in the United Kingdom	100.0	100.0
Jack Nathan Ltd ("JNL") [(3)(4)]	Wholesale and distribution of steel tubes in the United Kingdom	100.0	100.0

(1) The entity is incorporated in Malaysia and audited by PricewaterhouseCoopers PLT Malaysia.
(2) The entity is incorporated in British Virgin Islands and has no statutory audit requirement.
(3) The entity is incorporated in England and Wales which exempts it from statutory audit requirement.
(4) JNL ceased to be an associate and became a wholly owned subsidiary of the Group following MIL's acquisition of the remaining 55% of the issued and paid up share capital of JNL from the controlling shareholders on 17 October 2017. JNL is exempted from audit under the UK laws for small private limited companies.

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) **Mycron Steel Berhad's ("Mycron") Rights issue with warrant**

The Company has fully subscribed for its entitlement of renounceable rights issue of 40,410,044 new ordinary shares in Mycron ("Mycron Shares") ("Rights Shares") at 30 sens per rights share (on the basis of 1 Rights Share for every 5 Mycron Shares held) together with 20,205,022 free detachable warrants (on the basis of 1 Warrant for every 2 Rights Shares subscribed) for a total outlay of RM12,123,013 (Rights issue of RM10,468,221 and free detachable warrants of RM1,654,792) which were listed on 31 January 2019 in the Main Market under the "Industrial Products & Services" sector of Bursa Malaysia. The Company funded the subscription with the balance of its Rights Proceeds of RM11,093,962 and internal funds amounting to RM1,029,051. See Note 33(a).

Arising from the subscription, the Company's shareholding percentage in Mycron Steel Berhad has increased from 71.26% to 74.13%.

(b) **Information relating to subsidiary with a material non-controlling interest**

The summarised consolidated financial information of Mycron Steel Berhad ("MSB") are as follows:

	MSB Group	
	2019 RM	**2018 RM**
Statements of Comprehensive Income		
Revenue for the financial year	694,483,673	793,374,314
Net (loss)/profit for the financial year	(11,985,498)	16,100,771
Total comprehensive (loss)/income	(8,728,992)	17,418,458
Statements of Financial Position		
Current assets	329,082,712	385,996,717
Non-current assets	337,815,066	308,469,858
Current liabilities	(225,561,737)	(279,559,401)
Non-current liabilities	(45,439,291)	(23,335,076)
Net assets	395,896,750	391,572,098
Statements of Cash Flows		
Net cash generated from/(used in) operating activities	7,681,778	(6,603,500)
Net cash used in investing activities	(11,678,836)	(11,239,983)
Net cash generated from financing activities	3,151,596	4,278,398
Net change in cash and cash equivalents	(845,462)	(13,565,085)
Non-controlling interests effective equity interest	25.9%	28.7%
Carrying amount of non-controlling interests	100,576,359	110,660,822
Net (loss)/profit for the financial year attributable to non-controlling interests of the Group	(3,142,289)	4,689,671
Total comprehensive (loss)/income attributable to non-controlling interests of the Group	(2,299,955)	5,068,394

16 INVESTMENTS IN ASSOCIATES

(a) Details of Investments

The Group does not have any investment holdings in Associates as at the end of the current financial year. Any significant transactions with associates are disclosed in Note 30.

Set out below are details of Associates held at the start of the preceding financial year on 1 July 2017 and their ensuing disposal events:

Name of associate	Place of business/Country of incorporation	% of ownership interest	Nature of relationship	Measurement method
(i) Mperial Power Ltd	Labuan, Malaysia	49%	See below	Equity accounting
(ii) Jack Nathan Ltd	United Kingdom	45%	See below	Equity accounting

(i) Mperial Power Ltd ("Mperial")

- Mperial was held directly by Melewar Steel Engineering Sdn Bhd ("MSE"), a wholly owned subsidiary of the Company.
- Mperial is a private company and there is no quoted market price available for its shares.
- Mperial was a subsidiary of the Group until 30 April 2014 (financial year ended 30 June 2014), and thereafter an associate.
- Mperial ceased to be an associate of the Group following the disposal of the remaining 49% equity-stake in Mperial to the controlling shareholder, E Power Pte Ltd, on 7 February 2018 ('disposal date') for a total cash consideration of USD1 (RM3.91). At the close of the previous financial year, Mperial has yet to complete the contracted power assets sale to a third party due to certain unfulfilled condition precedent, and as a result has missed the repayment timeline on book debts amounting to RM6.6 million to the Group. The Group made an impairment charge on this long outstanding sum at the close of the previous financial year. See Notes 8 and 16(b)(i).

(ii) Jack Nathan Limited ("JNL")

- JNL is a private limited company incorporated in the United Kingdom ("UK") based out of Amersham. JNL has a paid-up capital of GBP100 comprising of 100 shares.
- The Group's 45% equity interest in JNL was acquired in July 2016 and is held through its wholly owned subsidiary Melewar Imperial Limited ("MIL"), a company incorporated in Labuan, Malaysia. As an associate, MIL does not have control over JNL but exercises significant influence over it to account for its investment using the Equity method.

  JNL ceased to be an associate and became a wholly owned subsidiary of the Group following MIL's acquisition of the remaining 55% of the issued and paid up share capital of JNL from the controlling shareholders on 17 October 2017.

16 INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Amounts owing by associates

(i) Mperial Power Ltd ("Mperial")

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At gross amounts	–	12,268,113	–	3,244,470
Repayments	–	(5,642,000)	–	(2,142,000)
Reclassification to other receivables (Note 20)	–	(6,626,113)	–	(1,102,470)
At 30 June 2019 / 7 February 2018	–	–	–	–

In previous financial year, Mperial has made a repayment totaling RM5,642,000 and RM2,142,000 to the Group and Company respectively. On disposal date (see Note 16(a)(i)) of Mperial, the outstanding balance due from Mperial of RM5,626,113 was reclassified to 'other receivables' before it was subsequently impaired at the close of the previous financial year.

17 CONTRACTS WITH CUSTOMERS

(a) Contract assets/(liabilities)

Group

	2019 RM
Contract assets	2,786,752
Contract liabilities	(2,254,593)

The contract assets reflect the Group's rights to consideration for work performed on contracts but not billed at the reporting date.

The contract liabilities reflect the Group's outstanding obligations in relation to consideration received or receivable from contracts.

17 CONTRACTS WITH CUSTOMERS (CONTINUED)

(a) Contract assets/(liabilities) (continued)

Significant changes to contract assets/(liabilities) during the financial year are as follows:

	2019
	RM
Contract assets	
At 1 July (upon adoption of MFRS 15)	5,100,403
- progress billings issued	(5,296,526)
- increases as a result of work progress	2,982,875
At 30 June	2,786,752
Composition of closing contract assets:	
- work performed and not billed	2,786,752
Contract liabilities	
At 1 July (upon adoption of MFRS 15)	(38,204,276)
- deposit received during the financial year	(14,197,391)
- payment received beyond billable contract sum	(4,119,008)
- waiver of amount owing to client Project #1	40,615,839
- revenue recognised during the financial year	13,650,243
At 30 June	(2,254,593)
Composition of closing contract liabilities:	
- payment received or receivable for work not performed	(2,254,593)
Revenue from construction contracts	
Revenue recognised in the current period from:	
- performance obligations satisfied in current period	966,942
- performance obligations satisfied in previous period	301,973
	1,268,915

The unsatisfied performance obligations of RM2,254,593 at the end of the reporting are expected to be recognised within 1 year.

17 CONTRACTS WITH CUSTOMERS (CONTINUED)

(b) Construction contracts-in-progress

Status on construction contracts undertaken by the Group's subsidiaries at the close of the current and preceding financial years in accordance with MFRS 111 Construction Contracts are as follows:

	Group	
	2019 RM	2018 RM
Contract costs incurred to-date	156,532,552	188,044,689
Provision for construction contract (Note 25)	2,093,852	14,652,677
Recognised losses to-date	(48,484,507)	(94,261,210)
Contract revenue recognised to-date	110,141,897	108,436,156
Less: Progress billings to-date	(108,489,353)	(103,602,515)
Net amounts due from customers	1,652,544	4,833,641
Amounts due from customers (Note 20)	2,305,994	5,100,403
Amounts due (to) customers (Note 25)	(653,450)	(266,762)
Net amounts due from customers	1,652,544	4,833,641

	Group	
	2019 RM	2018 RM
Comprising:		
Contract revenue recognised to-date [(a)]	110,141,897	108,436,156
Less: Contract costs recognised to-date [(a)]	(156,458,344)	(188,044,689)
Less: Expected losses recognised [(a)]	(2,093,852)	(14,652,677)
Recognised losses to-date [(a)]	(48,410,299)	(94,261,210)

a. Existing construction contracts-in-progress are mainly undertaken by the Group's wholly owned subsidiary, Melewar Integrated Engineering Sdn Bhd ("MIE") which contributed to the bulk of the contract revenue (99.3%) and losses (100%) recognised to-date, with the remaining negligible contribution being derived from its wholly owned subsidiary, Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard").

17 CONTRACTS WITH CUSTOMERS (CONTINUED)

(b) Construction contracts-in-progress (continued)

Status on construction contracts undertaken by the Group's subsidiaries at the close of the current and preceding financial years in accordance with MFRS 111 Construction Contracts are as follows: (continued)

Existing material construction contracts in Melewar Integrated Engineering Sdn Bhd (MIE) are two onerous engineering contracts with the following details:

All in RM'000	Project #1		Project #2	
	2019	2018	2019	2018
Contract Revenue recognised to-date	83,920.1	83,083.9	25,404.4	24,839.0
Less: Contract costs recognised to-date	(112,709.2)	(149,776.8)	(42,841.9)	(37,829.2)
Less: Expected losses recognised	–	(12,360.5)	(2,093.9)	(2,292.2)
Recognised losses	(28,789.1)	(79,053.4)	(19,531.4)	(15,282.4)
Percentage of Completion based on Cost Incurred	100%	99%	98%	96%

Project #1

Project #1 was duly completed with the Client's signed-off for phase 1 on May 2018 in the preceding financial year and for phase 2 on August 2018 in the 1st quarter of the current financial year. The Defect Liability Period (DLP) for both phases expired in February and May 2019 respectively resulting in a net write-back of DLP provisions of RM3.22 million in the current financial year.

The Engineering subsidiary had entered into commercial-settlement agreement with the client on 15 April 2019, wherein the Engineering subsidiary would relinquish its unscheduled variation claims of RM74 million and the balance retention sum of RM2.10 million against the client, in-return for the client to fully relinquishing its claims on advances made of RM40.61 million and its rights on Liquidated Ascertained Damages (LAD) claim of RM8.39 million. Given that the unscheduled variation claims against the client has never been recognised, the aforementioned settlement resulted in a net write-back of RM46.9 million on the project over the current financial year.

The combined write-back resulted in a positive adjustment of around RM50.1 million for the current financial year, reducing the total recognised loss for the project from RM79 million to RM28.8 million.

Project #2

Over the current financial year, the Engineering subsidiary increased the cost budget and corresponding losses on its last uncompleted onerous construction contract again by RM4.25 million due to client's back-charges and additional cost estimates arising from engineering complications.

Project #2, incepted since 2015, has not reached contractual completion as the Client has not signed-off acceptance for both phases of the project at the close of the current financial year. The subsidiary reported that the project is physically completed with numerous trials and commercial runs made by the Client on the conveyor-loader system for the export of silica sand. Based on costs, the project is at 98% completion with the remaining cost-to-completion mainly on direct wages and fees.

At the issue date of this report, the contractual closure of the project remains uncertain. Past provisions made for LAD (Liquidated Ascertained Damages) of RM1.3 million and DLP (Defects Liability Provision) of RM0.39 million remain status quo.

18 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Deferred tax assets	1,272,224	1,515,428	–	–
Deferred tax liabilities	(47,109,166)	(45,385,121)	(17,017,074)	(16,016,143)
	(45,836,942)	(43,869,693)	(17,017,074)	(16,016,143)
At 1 July	(43,869,693)	(40,316,841)	(16,016,143)	(19,438,919)
Credited/(charged) to the profit or loss (Note 11):				
- property, plant and equipment	5,359,902	(389,844)	19,560	86,386
- investment properties	(1,086,636)	–	(1,794,059)	4,136,849
- non-current assets held-for-sale	–	(66,928)	786,702	(786,702)
- unutilised tax losses	(2,350,449)	(883,033)	–	–
- other payables and accruals	–	(10,678)	–	–
	1,922,817	(1,350,483)	(987,797)	3,436,533
Debited to asset revaluation reserve:				
- property, plant and equipment	(3,890,066)	(2,269,297)	(13,134)	(13,757)
- non-current assets held-for-sale	–	66,928	–	–
	(3,890,066)	(2,202,369)	(13,134)	(13,757)
	(1,967,249)	(3,552,852)	(1,000,931)	3,422,776
At 30 June	(45,836,942)	(43,869,693)	(17,017,074)	(16,016,143)

Notes to the Financial Statements
- 30 June 2019
(continued)

18 DEFERRED TAX (CONTINUED)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised reinvestment allowance	18,304,344	18,304,344	–	–
- unutilised tax losses	5,045,192	7,395,641	–	–
- unutilised capital allowances	2,099,604	–	–	–
	25,449,140	25,699,985	–	–
Offsetting	(24,176,916)	(24,184,557)	–	–
Deferred tax assets (after offsetting)	1,272,224	1,515,428	–	–
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(65,618,420)	(66,637,464)	(115,636)	(122,062)
- investment properties	–	–	(16,901,438)	(15,107,379)
	(65,618,420)	(66,637,464)	(17,017,074)	(15,229,441)
Offsetting	24,176,916	24,184,557	–	–
	(41,441,504)	(42,452,907)	(17,017,074)	(15,229,441)
Subject to real property gains tax				
Deferred tax liabilities:				
- property, plant and equipment	(4,581,026)	(2,932,214)	–	–
- investment property	(1,086,636)	–	–	–
- non-current assets held-for-sale	–	–	–	(786,702)
Deferred tax liabilities (after offsetting)	(47,109,166)	(45,385,121)	(17,017,074)	(16,016,143)

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses and reinvestment allowance will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2019 can be carried forward another 7 consecutive years of assessment. Any unutilised reinvestment allowance can be carried forward another 7 consecutive years of assessment upon expiry of qualifying period.

18 DEFERRED TAX (CONTINUED)

The amount of deductible temporary differences not recognised for which no deferred tax assets is recognised in the statements of financial position are as follows:

	Group	
	2019 **RM**	**2018** **RM**
Deductible temporary differences	17,363,945	92,554,100
Unutilised capital allowances	12,676,600	12,599,790
Unutilised tax losses (expiring not more than 7 years)	59,828,189	12,976,520
	89,868,734	118,130,410
Deferred tax assets not recognised at 24% (2018: 24%)	21,568,496	28,351,298

Deferred tax assets were not recognised as the Group does not have foreseeable taxable profits against which the deductible temporary differences, unutilised tax losses and unutilised capital allowances can be utilised.

19 INVENTORIES

	Group	
	2019 **RM**	**2018** **RM**
Raw materials	127,987,471	133,620,923
Work-in-progress	6,776,655	811,736
Finished goods	50,463,424	68,188,592
Consumables	2,301,804	2,741,356
	187,529,354	205,362,607

Inventories recognised as an expense during the year ended 30 June 2019 amounted to RM620,952,691 (2018: RM664,566,553). These were included in the 'cost of sales'.

During the financial year, there was a write back of impairment on inventories of RM454 (2018: impairment of RM46,067) in stating the inventories at net realisable value.

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current				
Trade receivables [(a)]	86,982,346	115,221,366	–	–
Less: Accumulated impairment losses	(1,841,332)	(1,778,050)	–	–
	85,141,014	113,443,316	–	–
Other receivables [(b)]	8,972,139	8,318,151	1,102,470	1,104,781
Less: Accumulated impairment losses	(7,437,411)	(7,405,611)	(1,102,470)	(1,102,470)
	1,534,728	912,540	–	2,311
GST receivables	1,875,093	2,982,596	5,295	14,784
VAT claimable	5,475	8,577	–	–
Amounts due from customers on contracts (Note 17)	–	5,100,403	–	–
Deposits	4,099,729	4,937,453	96,743	97,223
Prepayments	1,361,615	1,763,703	93,426	162,275
	7,341,912	14,792,732	195,464	274,282
Total current trade and other receivables	94,017,654	129,148,588	195,464	276,593

(a) Based on the 'expected credit loss' model assessment, the Steel Tube subsidiary has made an impairment provision on its trade receivable of RM21,411, which has been determined to be bad and was written-off in the current financial year. Similarly, additional impairment provision of RM63,282 was made by the Engineering subsidiary during the current financial year. See Note 4(c)(iii).

(b) During the current financial year, the Steel Tube subsidiary made an impairment provision on 'other receivables' of RM31,800 – as assessed under the 'expected credit loss' model.

21 DERIVATIVES

GROUP

The Group's derivatives comprise solely of Currency Exchange Forward Contracts incepted to hedge its foreign currency exposures arising from forward purchases of raw materials in USD and to a lesser extent export sales in SGD as disclosed in Note 4(e) in the financial statements. These Currency Exchange Forward Contracts generally have a maturity period of less than 6 months and their fair values are classified under current assets/(liabilities) by way of marking-to-market.

Foreign currency hedges which meet qualifying criteria under MFRS 9 are designated on inception for fair value hedge accounting where the changes in fair value for both the hedge items and the hedge instruments are charged to the Statements of Comprehensive Income, and closing fair values are recognised in the Statements of Financial Position as either current financial assets or liabilities.

	Group			
	2019		2018	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
Forward foreign currency exchange contract – fair value through profit and loss (not designated)	252	(15,223)	65,234	(231)
Forward foreign currency exchange contract – fair value through profit and loss (designated)	799,640	(214,787)	3,275,817	(2,339)
	799,892	(230,010)	3,341,051	(2,570)

Details on the Group's unrealised currency derivatives are outlined below:

(i) Derivatives designated and fair value hedge accounted as at 30 June 2019

Forward foreign currency exchange contracts as hedge instrument					Contracted payment obligation and/or a/c payables as hedge item				
			Fair value					Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM	Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Financial assets RM	Financial liabilities RM
July 2019	5,362,000	4.1301	98,200	(17,304)	July 2019	5,362,000	4.1301	17,304	(98,200)
August 2019	6,606,570	4.1065	307,134	(34,163)	August 2019	6,606,570	4.1065	34,163	(307,134)
September 2019	14,141,700	4.1228	386,945	(4,730)	September 2019	14,141,700	4.1228	4,730	(386,945)
October 2019	2,404,500	4.1500	7,361	–	October 2019	2,404,500	4.1500	–	(7,361)
November 2019	6,492,000	4.1800	–	(158,590)	November 2019	6,492,000	4.1800	158,590	–
Total	35,006,770		799,640	(214,787)	Total	35,006,770		214,787	(799,640)

Net fair value gain from the hedging instruments of RM0.6 million and the corresponding net fair value loss from the hedged item of RM0.6 million are taken-up in the statement of profit or loss.

21 DERIVATIVES (CONTINUED)

Details on the Group's unrealised currency derivatives are outlined below: (continued)

(ii) Derivatives designated and fair value hedge accounted as at 30 June 2018

Forward foreign currency exchange contracts as hedge instrument					Contracted payment obligation and/or a/c payables as hedge item				
			Fair value					Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM	Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Financial assets RM	Financial liabilities RM
July 2018	16,408,195	3.9558	1,481,421	(2,339)	July 2018	16,408,195	3.9558	2,339	(1,481,421)
August 2018	5,230,137	3.9444	529,346	–	August 2018	5,230,137	3.9444	–	(529,346)
September 2018	2,230,000	3.8865	361,706	–	September 2018	2,230,000	3.8865	–	(361,706)
October 2018	7,539,943	3.9750	585,846	–	October 2018	7,539,943	3.9750	–	(585,846)
November 2018	6,468,861	4.0053	317,498	–	November 2018	6,468,861	4.0053	–	(317,498)
Total	37,877,136		3,275,817	(2,339)	Total	37,877,136		2,339	(3,275,817)

Net fair value gain from the hedging instruments of RM3.3 million and the corresponding net fair value loss from the hedged item of RM3.3 million are taken-up in the statement of profit or loss.

The designated hedges are within the 85% to 120% effective range using the "dollar off-set" method.

(iii) Derivatives not designated and not hedge accounted

As at 30 June 2019

Forward foreign currency exchange contracts as undesignated hedge instrument

			Fair value	
Maturity period of contract	**Notional value short SGD**	**Average contracted rate SGD/RM**	**Financial assets RM**	**Financial liabilities RM**
July 2019	60,000	3.0190	–	(2,232)
August 2019	60,000	3.0266	–	(1,959)
September 2019	60,000	3.0418	–	(1,227)
October 2019	60,000	3.0555	252	(799)
November 2019	60,000	3.0538	–	(855)
December 2019	60,000	3.0540	–	(8,151)
Total	360,000		252	(15,223)

21 DERIVATIVES (CONTINUED)

Details on the Group's unrealised currency derivatives are outlined below: (continued)

(iii) Derivatives not designated and not hedge accounted (continued)

As at 30 June 2018

Forward foreign currency exchange contracts as undesignated hedge instrument

			Fair value	
Maturity period of contract	**Notional value long USD**	**Average contracted rate USD/RM**	**Financial assets RM**	**Financial liabilities RM**
August 2018	525,300	3.9370	56,102	–
Total	525,300		56,102	–

			Fair value	
Maturity period of contract	**Notional value short SGD**	**Average contracted rate SGD/RM**	**Financial assets RM**	**Financial liabilities RM**
July 2018	60,000	3.0475	5,244	–
August 2018	60,000	2.9853	1,353	–
September 2018	60,000	2.9928	1,554	–
October 2018	60,000	2.9698	204	(231)
November 2018	60,000	2.9860	777	–
Total	300,000		9,132	(231)

These derivatives were not hedge accounted primarily due to the late inception of these hedging instruments which gave rise to mismatch between the intended hedge items' basis foreign exchange rate and the contracted foreign exchange rate.

Besides the abovementioned unrealised marked-to-market position of the currency derivatives as at the close of the financial year, the Group has recorded a total realised net gain of around RM2.0 million (2018: net loss of RM12.9 million) from its foreign exchange forward contracts with a corresponding realised net foreign exchange loss of RM2.5 million (2018: net gain of RM14.1 million) on its hedge items over the current financial year. The Group's net gain/(loss) position on foreign exchange is disclosed in Note 8.

21 DERIVATIVES (CONTINUED)

COMPANY

The Company's derivatives comprise solely of 20,205,022 free detachable warrants arising from the subscription of Mycron's Rights Issue (see Note 15(a)). These warrants are exercisable options listed on Bursa Malaysia and are tradable anytime over its 5 years' tenure to maturity. In that regard, these derivatives are fair valued at initial recognition and at each period's close base on the active market quoted closing price, with the changes in fair value charged to Profit & Loss (see Note 5).

No warrants were exercised during the current financial year. Changes in carrying fair value of these derivatives are as follow.

	2019 RM
At 1 July	–
Free detachable warrants	1,654,792
Fair value loss on derivatives (Note 8)	(38,390)
At 30 June	1,616,402

The salient terms of the Warrants are as follows:

(a) The warrants can be exercised any time during the tenure of 5 years commencing from the date of issue on 28 January 2019 to 26 January 2024 ("Exercise Period"). Warrants not exercised during the Exercise Period will lapse and cease to be valid; and

(b) Each warrant entitles holder to subscribe for one new ordinary share in the Company at the exercise price of RM0.60 at any time during the Exercise Period.

22 AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing by/(to) subsidiaries are generally unsecured and interest free.

Inter-company balances which are trade in nature are subject to credit terms between 30 to 90 days (2018: 30 to 90 days) whilst, non-trade transactions are repayable upon demand. For the current and the comparative preceding reporting period, there are no outstanding balances in-relation to trade.

	Company	
	2019 RM	2018 RM
Amounts owing by subsidiaries [(a)]:		
Non-trade	74,804,588	38,627,642
Less: Accumulated impairment losses (Note 4(c)(iv)) [(b)]	(74,795,025)	(36,930,244)
	9,563	1,697,398
Amounts owing to subsidiaries [(c)]:		
Non-trade	(24,660)	(2,704,317)
	(24,660)	(2,704,317)

(a) The 'amounts owing by subsidiaries' for the current financial year comprise mostly capital advances, and charge-back of payments made on behalf.

(b) During the current financial year, the Company made a full impairment charge on the advances made to its wholly owned Engineering subsidiary of RM34,924,921 and other subsidiaries of RM2,939,860.

(c) The 'amounts owing to subsidiaries' comprise mainly non-trade related advances made by the steel subsidiaries on behalf of the Company.

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deposits with licensed financial institutions	42,378,888	40,385,898	–	1,200,000
Cash and bank balances	11,309,078	13,040,794	2,955,391	452,243
Cash and cash equivalents	53,687,966	53,426,692	2,955,391	1,652,243

23 CASH AND CASH EQUIVALENTS (CONTINUED)

The weighted average placement interest rates that are effective at the reporting date are as follows:

	Group		Company	
	2019 % per annum	**2018 % per annum**	**2019 % per annum**	**2018 % per annum**
Deposits with licensed financial institutions	2.97	2.93	2.86	2.85
Cash and bank balances	0.17	0.85	–	–

These unrestricted deposits with licensed financial institutions of the Group and the Company are mainly in the forms of short-term fixed deposits and money market REPO (repurchase agreements) having an average maturity period of 21 days (2018: 14 days). The Company does not have any money market REPO at the close of the current financial year.

24 NON-CURRENT ASSETS HELD-FOR-SALE

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
At 1 July	1,878,845	–	26,000,000	–
Reclassification from:				
- property, plant and equipment	–	1,878,845	–	–
- investment properties	–	–	–	26,000,000
Disposal during the financial year	(1,878,845) [(a)]	–	(26,000,000) [(b)]	–
At 30 June	–	1,878,845	–	26,000,000

(a) Disposal of a leasehold land and building at Alor Gajah, Melaka and plant and machinery located at Sg. Rasau, Shah Alam

A subsidiary of the Company, Melewar Steel Mills Sdn Bhd ("MSM"), had entered into a conditional sale and purchase agreement on 26 December 2017 to dispose of a leasehold land and building with disused machinery and equipment with a carrying book value of RM1,373,822 located at Alor Gajah, Melaka for a cash consideration of RM1,400,000. The disposal was duly completed on 11 January 2019 upon the receipt of the balance purchase price from the buyer.

On 12 June 2018, MSM has also accepted an offer from another buyer for its disused machinery and electrical installation with a carrying fair value of RM505,023 located in Sg. Rasau, Shah Alam for a cash consideration of RM510,000. During the current financial year, the sales has been concluded with the receipt of full payment from the buyer on the outstanding amount.

(b) Disposal of Factory 1 to Steel Tube Subsidiary

The Company's contracted the disposal of a leasehold land and factory buildings erected thereon known as Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, to its Steel Tube subsidiary for a total consideration of RM26 million (RM2.6 million was received in the previous financial year) was cleared of all its Conditions Precedent with the State's consent for title transfer duly approved on 18 July 2018. The transaction is neutral to the Group except for expenses and tax outlay relating to the transaction, and non-controlling interests. The disposal was duly completed on 30 August 2018.

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Non-current				
Trade payables	226,488	1,867,047	–	–
Current				
Trade payables	130,136,605	184,889,048	–	–
Other payables	8,586,153	8,853,726	381,001	790,843
Accruals	4,916,954	4,771,671	275,324	286,703
Advances provided by a customer (Note 17)	–	36,496,831	–	–
Amounts due to customers on contracts (Note 17)	–	266,762	–	–
Deposits received	727,360	1,814,501	567,500	2,637,500
Provision for construction contracts (Note 17)	2,093,852	14,652,677	–	–
Total – Current	146,460,924	251,745,216	1,223,825	3,715,046
Total	146,687,412	253,612,263	1,223,825	3,715,046

Trade payables include interest bearing suppliers' credit relating to the steel businesses amounting to RM9.5 million (2018: RM28.0 million), and amount owing by the Engineering subsidiary to project suppliers and sub-contractors amounting to RM5.6 million (2018: RM9.9 million). Those credit facilities relating to the steel suppliers have interest bearing credit periods of up to 150 days (2018: 150 days).

The remaining trade and other payables are generally interest free and within accorded interest free credit periods ranging between cash terms to 150 days (2018: 150 days).

Provisions for construction contracts relates to the Engineering subsidiary (Note 17), and the details on the movement of these provisions are as follows:

	2019 RM	**2018 RM**
At 1 July	14,652,677	29,400,204
Write-back of cost provision on Project #1	(57,238)	(11,303,211)
Additional provision made on Project #2	4,249,068	1,422,323
Provision reversed during the year	(5,135,630)	(9,848,856)
(Write back of provision)/provision for defects liability period	(3,223,009)	3,682,217
(Write back of provision)/provision for liquidated ascertained damages	(8,392,016)	1,300,000
At 30 June	2,093,852	14,652,677

26 BORROWINGS

The Company does not have any borrowings from financial institutions. The Group's borrowings as tabulated below are incepted directly by the operations at subsidiary level.

	Group	
	2019 **RM**	**2018** **RM**
Current		
Bankers' acceptance	80,650,000	87,060,000
Hire-purchase creditors	2,522,754	635,487
Term loans	3,617,104	3,040,068
Mortgage loan	1,674,023	–
	88,463,881	90,735,555
Non-current		
Hire-purchase creditors	3,525,837	885,860
Term loans	–	27,686,846
Mortgage loan	18,149,290	–
	21,675,127	28,572,706
Total		
Bankers' acceptance	80,650,000	87,060,000
Hire-purchase creditors	6,048,591	1,521,347
Term loans	3,617,104	30,726,914
Mortgage loan	19,823,313	–
	110,139,008	119,308,261

Borrowings totalling RM109.4 million are secured and incepted by its Cold Rolled and the Steel Tube subsidiaries under their respective debenture with fixed and floating charges. The Group's Engineering subsidiary has fully settled its short-term borrowing (taken in financial year 2017 to partly finance the completion of its onerous projects) with funds extended by the Company in the current financial year. The mortgage loan taken by the Steel Tube subsidiary in the current financial year is to partly finance the acquisition of factory land and building from the Company (Note 24). In tandem with the lower total outstanding borrowings as at the close of the current financial year compared to the preceding period, the Group's total incurred interest cost is lower at RM5.4 million (2018: RM7.1 million).

26 BORROWINGS (CONTINUED)

Contractual terms of borrowings

	Contractual interest rate at reporting date (per annum)	Functional currency / currency exposure	Total carrying amount	Maturity profile < 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years
			RM	RM	RM	RM	RM	RM	RM
Group									
At 30 June 2019									
Secured									
- Bankers' acceptance [a]	4.58% - 5.33%	RM	30,550,000	30,550,000	–	–	–	–	–
- Bankers' acceptance [a]	5.15% - 5.70%	RM	50,100,000	50,100,000	–	–	–	–	–
- Hire-purchase creditors	2.29% - 2.85%	RM	6,048,591	2,522,754	2,246,072	1,058,805	188,498	32,462	–
- Term loan 2 [a]	5.54% - 6.50%	RM	3,617,104	3,617,104	–	–	–	–	–
- Mortgage loan [b]	6.00%	RM	19,823,313	1,674,023	1,764,321	1,870,161	1,982,350	2,101,269	10,431,189
			110,139,008	88,463,881	4,010,393	2,928,966	2,170,848	2,133,731	10,431,189

(a) The securities provided under the Cold Rolled's debenture cover fixed charge over its land, building and equipment, and floating charge over most of its current assets. The Term Loan 2 to Cold Rolled is also covered under the said debenture. The securities provided under the Steel Tube's debenture cover fixed charge over its plant and equipment, and floating charge over most of its current assets (Note 13(iii)).

(b) Mortgage loan is taken by the Steel Tube and secured against a corporate guarantee from its immediate holding company, Mycron Steel Berhad and a first party open charge on the leasehold land and building.

	Contractual interest rate at reporting date (per annum)	Functional currency / currency exposure	Total carrying amount	Maturity profile < 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years
			RM	RM	RM	RM	RM	RM	RM
Group									
At 30 June 2018									
Unsecured									
- Term loan 1 [b]	8.00%	RM	4,074,613	–	4,074,613	–	–	–	–
Secured									
- Bankers' acceptance [a]	4.67% - 5.43%	RM	13,060,000	13,060,000	–	–	–	–	–
- Bankers' acceptance [a]	5.65% - 5.70%	RM	74,000,000	74,000,000	–	–	–	–	–
- Hire-purchase creditors	2.50% - 3.38%	RM	1,521,347	635,487	482,538	195,357	149,475	58,490	–
- Term loan 2 [a]	6.50%	RM	3,790,068	3,040,068	750,000	–	–	–	–
- Term loan 3 [b]	12.00%	RM	22,862,233	–	22,862,233	–	–	–	–
			119,308,261	90,735,555	28,169,384	195,357	149,475	58,490	–

(a) The securities provided under the Cold Rolled's debenture cover fixed charge over its land, building and equipment, and floating charge over most of its current assets. The Term Loan 2 to Cold Rolled is also covered under the said debenture. The securities provided under the Steel Tube's debenture cover fixed charge over its plant and equipment, and floating charge over most of its current assets (Note 13(iii)).

(b) The Term Loan 1 & 3 were undertaken by the Engineering and were secured against corporate guarantee from the Company. These were fully redeemed in the current financial year with funds extended by the Company.

26 BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued)

	Group	
	2019 RM	**2018 RM**
Total carrying amount		
Unsecured	–	4,074,613
Secured	110,139,008	115,233,648
	110,139,008	119,308,261

For the financial year 2019, all banks' covenants in relation to the Steel subsidiaries' borrowings have been complied, except for the Cold Rolled subsidiary on the 'debt-cover-ratio' covenant due to its operating loss position. The subsidiary has obtained waiver indulgence on the said covenant ratio for the current financial year. Refer to Notes 4(a) & (b).

At Amortised Cost

The carrying amount of the borrowings due within 1 year and those with floating rates approximated their fair values at reporting date. The fair values of the borrowings with fixed interest rates due after 1 year are as follows:

	Group			
	2019		**2018**	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Term loan 1	–	–	4,074,613	4,074,613
Term loan 3	–	–	22,862,233	22,862,233
Hire-purchase creditors	3,525,837	3,340,189	885,860	828,759

Term Loan 1 and 3 in the preceding financial year were undertaken by the Engineering subsidiary.

The weighted average contracted interest rates of borrowings at the reporting date are as follows:

	Group	
	2019 % per annum	**2018 % per annum**
Bankers' acceptance	5.21	5.59
Hire-purchase creditors	2.69	2.69
Term loans	6.02	10.79
Mortgage loan	6.00	–

26 BORROWINGS (CONTINUED)

At amortised cost (continued)

The details of the hire-purchase creditors at the reporting date are as follows:

	Group	
	2019 RM	**2018 RM**
Future minimum lease payment of hire-purchase creditors:		
Not later than 1 year	2,796,726	703,958
Later than 1 year but not later than 2 years	2,398,131	518,934
Later than 2 years but not later than 5 years	1,354,189	438,804
	6,549,046	1,661,696
Less: Future finance charges	(500,455)	(140,349)
Present value	6,048,591	1,521,347
Analysed as:		
Current	2,522,754	635,487
Non-current	3,525,837	885,860
Present value	6,048,591	1,521,347

27 SHARE CAPITAL

	Group/Company			
	2019		**2018**	
	Number of shares	**RM**	**Number of shares**	**RM**
Issued and fully paid:				
Ordinary shares with no par value (2018: par value of RM1 each) At 1 July	225,522,808	226,996,855	225,522,808	226,996,855
Rights issue with warrants	133,894,895	23,210,682	–	–
Ordinary shares with no par value At 30 June	359,417,703	250,207,537	225,522,808	226,996,855

27 SHARE CAPITAL (CONTINUED)

Rights issue with free warrants

Pursuant to the terms as approved by Bursa Malaysia 26 January 2018 and duly approved by shareholders of the Company at the extraordinary general meeting held on 20 April 2018, holders of the Company's share were given renounceable Rights entitlement on the basis of one Rights share for every one existing shares held at an issue price of RM0.20 per Rights share, together with free detachable warrants on the basis of one warrant for every two Rights shares subscribed (hereinafter referred to as 'Rights issue with warrant').

The Company has completed its 'Rights issue with warrant' exercise on 24 August 2018, and had raised RM26,778,979 ('Rights Proceeds') from valid acceptance and excess applications of 133,894,895 Rights share representing a 59.37% take-up rate over the total Rights share available for subscription. The 133,894,895 new shares and the corresponding 66,947,418 free detachable warrants were listed on 24 August 2018.

The nominal value of the Rights shares is net of warrant reserves (Note 28).

28 WARRANT RESERVE

	Group/Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
At 1 July	–	–	–	–
Free detachable warrants issued	66,947,418	3,568,297	–	–
At 30 June	66,947,418	3,568,297	–	–

Pursuant to the 'Rights issue with warrant' exercise as mentioned in Note 27, 66,947,418 free detachable warrants with salient terms as outlined below were listed on 24 August 2018.

(a) The warrants can be exercised any time during the tenure of 5 years commencing from the date of issue on 24 August 2018 to 23 August 2023 ("Exercise Period"). Warrants which are not exercised during the Exercise Period will lapse and cease to be valid; and

(b) Each warrant entitles the holder to subscribe for one new ordinary share in the Company at the exercise price of RM0.40 at any time during the Exercise Period.

These issued warrants represent the obligation of the Company to issue new shares at the fixed exercise price upon election by the holder, normally under circumstances when the traded market price of the mother share exceeds the 'exercise price'.

The Company allocates a portion of the sum raised from the Rights issue to represent the fair value of these issued free warrants as reserves to meet the aforementioned obligation. The Company has determined the initial recognition value of the warrant reserves at RM0.0533 per warrant (or RM 3,568,297) based on the Black-Scholes model which took into consideration of the underlying variables such as the mother share-price, time-to-maturity, exercise price, and risk free rate at the initial listing date. This carrying value of the warrant reserves at the close of the current financial period remained that same as initial recognition, as no warrant was exercised during that period.

29 ASSET REVALUATION RESERVE

The asset revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. See accounting policy Note 2(c) for details.

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
At 1 July	56,887,413	50,291,967	139,794	96,231
Revaluation surplus on property, plant and equipment	15,976,511	9,176,538	54,724	57,320
Deferred tax	(3,428,363)	(2,202,369)	(13,134)	(13,757)
Non-controlling interests share in revaluation surplus on property, plant and equipment	(842,334)	(378,723)	–	–
Change of tax rate	(461,703)	–	–	–
Realisation of asset revaluation surplus on disposal of property, plant and equipment	(306,224)	–	–	–
At 30 June	67,825,300	56,887,413	181,384	139,794

Notes to the Financial Statements
- 30 June 2019
(continued)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant transactions with related parties.

The Group has a controlling related party relationship with its subsidiaries.

The Director of the Company, Tunku Dato' Yaacob Khyra have or deemed to have financial interests in the companies set out below and thus these companies are deemed to be the related parties to the Group:

- Trace Management Services Sdn Bhd
- MAA Corporation Sdn Bhd

(a) Transactions with related parties during the financial year based on agreed terms and prices are as follows (stated as debit or (credit)):

Entity	Type of transaction	2019 RM	2018 RM
Group			
Non-trade related – paid/payable			
Related companies			
Trace Management Services Sdn Bhd	Corporate secretarial services	(385,114)	(540,492)
MAA Corporation Sdn Bhd	Rental and utilities	(107,098)	(106,080)
Associates			
Mperial Power Ltd	Expenses paid on behalf	–	2,642,845
Mperial Power Ltd	Advances (repaid)	–	(5,642,000)
Jack Nathan Ltd	Advances given	–	82,675
Company			
Trade related – received/receivable			
Subsidiaries			
Melewar Steel Tube Sdn Bhd	Rental income	3,693,328	4,963,860
Melewar Steel Tube Sdn Bhd	Management fee income	1,620,000	1,395,000
Melewar Steel Tube Sdn Bhd	Payment received	(5,313,328)	(6,358,860)
Mycron Steel CRC Sdn Bhd	Management fee income	1,620,000	1,395,000
Mycron Steel CRC Sdn Bhd	Payment received	(1,620,000)	(1,395,000)
Melewar Integrated Engineering Sdn Bhd	Management fee income	480,000	480,000
Melewar Steel Services Sdn Bhd	Dividend income	400,000	800,000
Melewar Steel Mills Sdn Bhd	Dividend income	800,000	–
Non-trade related – received/receivable			
Subsidiaries			
Melewar Integrated Engineering Sdn Bhd	Interest charged	–	954,058
Melewar Integrated Engineering Sdn Bhd	Advances given	34,444,921	19,250,519

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties during the financial year based on agreed terms and prices are as follows (stated as debit or (credit)): (continued)

Entity	Type of transaction	2019 RM	2018 RM
Company (continued)			
Non-trade related – received/receivable (continued)			
Subsidiaries (continued)			
Mycron Steel Berhad	Advances repaid	–	(4,000,000)
Melewar Steel Tube Sdn Bhd	Advances repaid	(373,219)	(145,608)
Melewar Steel Tube Sdn Bhd	Expenses paid on behalf	376,290	141,267
Melewar Steel Engineering Sdn Bhd	Advances repaid	–	(3,500,000)
Melewar Steel Engineering Sdn Bhd	Advances given	8,000	8,000
Melewar Steel Services Sdn Bhd	Advances repaid	(53,738)	(53,878)
Melewar Steel Services Sdn Bhd	Expenses paid on behalf	53,138	53,878
Melewar Steel Assets Sdn Bhd	Advances given	7,000	9,500
Melewar Ecology Sdn Bhd	Advances given	6,564	7,509
Melewar Imperial Limited	Advances given	1,124,133	1,575,330
Melewar Imperial Limited	Expenses paid on behalf	3,858	41,777
Ausgard Quick Assembly Systems Sdn Bhd	Advances given	100,000	87,000
Associate			
Mperial Power Ltd	Expenses paid on behalf	–	2,642,845
Mperial Power Ltd	Advances repaid	–	(2,142,000)
Non-trade related – paid/payable			
Subsidiaries			
Mycron Steel CRC Sdn Bhd	Advances given	(500,000)	(2,161,527)
Mycron Steel CRC Sdn Bhd	Advances repaid	500,000	–
Melewar Steel Tube Sdn Bhd	Advances given	(500,000)	(775,000)
Melewar Steel Tube Sdn Bhd	Advances repaid	941,112	558,912
Melewar Steel Tube Sdn Bhd	Expenses paid on behalf	56,584	(52,988)
Related companies			
Trace Management Services Sdn Bhd	Corporate secretarial services	(162,515)	(209,602)
MAA Corporation Sdn Bhd	Rental and utilities	(107,098)	(106,080)

There are no material outstanding balances with other related parties as at financial year end.

The Directors of the Company are of the opinion that the above transactions were carried out on terms and conditions negotiated and agreed amongst the related parties.

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel are those persons, having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly and thus are considered related parties of the Group and the Company. Remuneration details of the key management personnel of the Group and the Company comprising the Executive Directors and Non-Director Executives are set out below.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, bonuses and other emoluments	8,925,066	8,387,555	2,289,058	2,742,942
Allowance	426,702	216,848	45,614	61,600
Benefits-in-kind	167,633	139,490	57,018	58,797
Defined contribution plan	1,144,851	1,068,798	352,016	417,972
	10,664,252	9,812,691	2,743,706	3,281,311

Remuneration details on the Executive and Non-Executive Directors are disclosed in Note 10 to the financial statements.

31 SEGMENTAL ANALYSES

Current Reportable Segments

(a) The steel tube manufacturing segment is in the business of manufacturing and sales of steel pipes and tubes.

(b) The cold rolled segment is in the business of manufacturing and sales of cold rolled coils.

(c) The engineering segment is in the business of providing engineering services including projects that are accounted as construction contracts.

(d) The investment holding segment refers to companies with investments in subsidiaries, and companies with investments in quoted and unquoted equity securities.

'Others segment' comprise companies involved in metal scrap trading and dormant companies where individually they do not form a material segment that requires a separate disclosure.

The segments are strategic business units offering different products and services, and are managed separately. The Group's Executive Committee comprising key functional heads and executive Directors monitors the operating results of the strategic business units as well as relying on the segmental information as disclosed below for purposes such as resource allocation and performance assessment.

The Directors are of the opinion that all inter segment transactions are entered into in the normal course of business and are established on terms and conditions agreed between the related parties. Geographic segment is not applicable as the business of the Group are substantially carried out in Malaysia.

31 SEGMENTAL ANALYSES (CONTINUED)

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2019						
Revenue						
Total revenue	259,695,098	462,958,960	1,460,915	11,703,844	2,252,171	738,070,988
Inter segment	(2,469,716)	(28,170,386)	(192,000)	(10,939,684)	(2,228,651)	(44,000,437)
Total revenue	257,225,382	434,788,574	1,268,915	764,160	23,520	694,070,551
Segment results						
Profit/(Loss) from operations	10,118,689	(13,752,567)	41,990,340	(31,156,056)	(79,420)	7,120,986
Finance income	467,522	759,504	120,234	234,125	7,634	1,589,019
Finance costs	(3,346,305)	(3,538,607)	–	(18,939)	–	(6,903,851)
Profit/(Loss) before tax	7,239,906	(16,531,670)	42,110,574	(30,940,870)	(71,786)	1,806,154
Consolidation elimination *	4,610,677	3,850,969	980,249	18,575,684	(22,039)	27,995,540
	11,850,583	(12,680,701)	43,090,823	(12,365,186)	(93,825)	29,801,694
Taxation	(1,800,163)	(140,505)	–	63,317	(309,487)	(2,186,838)
Net profit/(loss) after tax	10,050,420	(12,821,206)	43,090,823	(12,301,869)	(403,312)	27,614,856
Segment assets						
Total segment assets	212,503,641	443,382,980	7,176,553	95,385,289	2,110,792	760,559,255
Consolidation elimination #	(20,830,902)	(8,926,110)	(64,852)	135,610	(745,993)	(30,432,247)
Total segment assets	191,672,739	434,456,870	7,111,701	95,520,899	1,364,799	730,127,008
Other information						
Depreciation of property, plant and equipment	3,593,662	11,220,963	87,263	5,335,110	62,447	20,299,445
Impairment losses/(write back):						
- property, plant and equipment	74,498	1,598,906	–	255,172	–	1,928,576
- inventories	–	–	–	–	(454)	(454)
- trade receivables	21,411	–	63,282	–	–	84,693
- other receivables	31,800	–	–	–	–	31,800
Additions of property, plant and equipment	4,342,440	9,894,927	–	731,255	95,225	15,063,847

* Major items include reversal of fair value gain of investment properties (IP) of RM6.4 million recognised as property, plant and equipment (PPE) at Group level, reversal of impairment losses on amounts owing by subsidiaries of RM41.1 million, reversal of dividend paid by subsidiary of RM1.2 million, and recognition of depreciation of RM5.1 million arising from conversion of IP to PPE at Group level and inter segment elimination.

\# Relates to reversal of fair value gain of investment properties (IP) of RM69.4 million recognised as property, plant and equipment (PPE) at Group level, reversal of intangible assets of RM20.0 million, elimination of intercompany balances of RM0.5 million, offset by recognition of net revaluation impact of RM60.5 million arising from conversion of IP to PPE at Group level.

31 SEGMENTAL ANALYSES (CONTINUED)

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2018						
Revenue						
Total revenue	274,187,982	546,856,002	24,141,797	13,116,313	4,096,732	862,398,826
Inter segment	(1,799,425)	(27,710,001)	–	(13,116,313)	(3,679,702)	(46,305,441)
Total revenue	272,388,557	519,146,001	24,141,797	–	417,030	816,093,385
Segment results						
Profit/(Loss) from operations	18,178,806	9,928,913	632,160	(19,863,242)	1,850,709	10,727,346
Finance income	274,919	1,105,820	–	138,241	2,647	1,521,627
Finance costs	(3,061,930)	(4,480,165)	(4,069,930)	(7,779)	–	(11,619,804)
Profit/(Loss) before tax	15,391,795	6,554,568	(3,437,770)	(19,732,780)	1,853,356	629,169
Consolidation elimination *	6,977,161	5,724,171	1,152,762	(3,248,569)	9,733	10,615,258
	22,368,956	12,278,739	(2,285,008)	(22,981,349)	1,863,089	11,244,427
Taxation	(3,766,939)	(1,937,091)	–	(815,236)	(703,489)	(7,222,755)
Net profit/(loss) after tax	18,602,017	10,341,648	(2,285,008)	(23,796,585)	1,159,600	4,021,672
Segment assets						
Total segment assets	207,397,776	479,335,067	9,800,254	104,867,540	3,040,360	804,440,997
Consolidation elimination #	(23,915,215)	(8,310,906)	–	1,395,090	(893,349)	(31,724,380)
Total segment assets	183,482,561	471,024,161	9,800,254	106,262,630	2,147,011	772,716,617
Other information						
Depreciation of property, plant and equipment	2,866,027	11,559,628	124,046	5,154,247	76,535	19,780,483
Impairment losses/(write back):						
- property, plant and equipment	306,084	594,980	–	909	280,441	1,182,414
- inventories	–	–	–	–	46,067	46,067
- trade receivables	–	–	1,411,649	–	–	1,411,649
- other receivables	–	–	–	6,626,113	–	6,626,113
Additions of property, plant and equipment	2,395,405	5,725,479	–	55,675	31,413	8,207,972

* Major items include reversal of fair value gain of investment properties (IP) of RM1.1 million recognised as property, plant and equipment (PPE) at Group level, reversal of impairment losses on amounts owing by subsidiaries of RM17.3 million, reversal of dividend paid by subsidiary of RM0.8 million, reversal of cost of investment and loss on acquisition of subsidiary of RM0.7 million and recognition of depreciation of RM4.9 million arising from conversion of IP to PPE at Group level and inter segment elimination.

Relates to reversal of fair value gain of investment properties (IP) of RM100.8 million recognised as property, plant and equipment (PPE) at Group level, reversal of intangible assets of RM20.0 million, elimination of intercompany balances of RM3.4 million, offset by recognition of net revaluation impact of RM92.9 million arising from conversion of IP to PPE at Group level.

31 SEGMENTAL ANALYSES (CONTINUED)

A reconciliation of the segment assets to the total assets is as follows:

	Group	
	2019 **RM**	**2018** **RM**
Segment assets	730,127,008	772,716,617
Derivatives	799,892	3,341,051
Deferred tax assets	1,272,224	1,515,428
Tax recoverable	424,214	23,097
	732,623,338	777,596,193

Information about major customers

Revenue from two major customers amounting to RM74.1 million and RM89.9 million (2018: RM81.9 million and RM90.7 million) respectively contributed to more than 10% of the Group's revenue each. These two major customers are each from the cold rolled segment and the steel tube segment.

32 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES

(a) At Group level:

(i) Litigation

Material litigations listed below are mainly confined to the Engineering subsidiary arising from its contractual dispute with its suppliers/ contractors engaged in those onerous construction contracts. The contractual liabilities in relation to items below have already been recognised in the project losses, and any litigation wins may lessen book liability.

- MMC Tepat Teknik Sdn Bhd (a subcontractor for design & engineering works for the Engineering subsidiary's Project #1) has in early 2019 issued notice to the subsidiary to pay for the collective adjudication sum won of RM2.68 million pursuant to section 466 of the Companies Act 2016, which led to the initiation of winding-up proceedings. As a subsequent event on 5 August 2019, the Engineering subsidiary entered into a settlement agreement with subcontractor for a full and final settlement sum of RM1.8 million.

- Archco Rigidon (M) Sdn Bhd (a subcontractor for painting works for the Engineering subsidiary's Project #2) has initiated legal recovery for outstanding billings owed of RM0.3 million, and has since 16 August 2019 obtained judgement against the Engineering subsidiary. The plaintiff is currently attempting to enforce the judgement through a garnishee order. The subsidiary is currently working on an out-of-court settlement with the plaintiff.

In the course of the Engineering subsidiary's winding-down of work and business activities, it has begun to trim its workforce. Amongst the affected employees, one senior individual of 78 years of age with 12 years of service with the entity has initiated legal action to claim retrenchment benefits, and this matter has been referred to the Industrial Court in August 2019. The exact amount being claimed remains uncertain, and the entity remains doubtful on the probability of an obligation.

32 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(a) At Group level: (continued)

(ii) Commitments

There are firmed plans to upgrade and supplement certain production lines at the Cold Rolled subsidiary which will incur capital expenditure commitment in the near term (See Note 13). At the end of the financial year, the Group's Cold Rolled subsidiary has an outstanding capital commitment of around RM20.7 million. From this amount, RM6.1 million has been committed for the construction of a new Acid Regeneration Plant and RM14.6 million for the revamp of Continuous Pickling Line. The Group's Steel Tube subsidiary has outstanding capital commitments of around RM0.9 million for the upgrading of its existing plant and machineries and digitisation of its manufacturing system. Other than these, there are no material capital expenditures approved but not contracted for at the close of the current financial year.

At the close of the current financial year, the Company has future aggregate minimum lease payment obligations as detailed below with regards to its non-cancellable operating lease for the rental of office space with a combined area of 2,789 square feet (2018: 2,789 square feet):

	2019	2018
	RM	RM
No later than 1 year	107,098	107,098
Later than 1 year and no later than 5 years	44,623	151,721
	151,721	258,819

At the close of the current financial year, the Engineering subsidiary has future aggregate minimum lease payment obligations as detailed below with regards to its non-cancellable operating lease for the rental of office space with a combined area of 14,620 square feet (2018: 14,620 square feet):

	2019	2018
	RM	RM
No later than 1 year	456,144	456,144
Later than 1 year and no later than 5 years	342,108	798,252
	798,252	1,254,396

32 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(a) At Group level: (continued)

(ii) Commitments (continued)

Engineering subsidiary has in the current financial year sub-leased 12,607 square feet of the abovementioned main lease to four other external parties. Taking into consideration of the said sub-lease, the subsidiary's net lease payment obligations are as follows:

	2019
	RM
No later than 1 year	62,796
Later than 1 year and no later than 5 years	44,097
	106,893

At the close of the current financial year, the UK subsidiary has future aggregate minimum lease payment obligations as detailed below with regards to its non-cancellable operating leases for the rental of a land and a shop-lot with a combined area of 22,480 square feet.

	2019	2018
	RM	RM
No later than 1 year	168,246	170,669
Later than 1 year and no later than 5 years	841,229	853,346
More than 5 years	1,085,080	1,271,380
	2,094,555	2,295,395

The Group has reviewed all of the Group's leasing arrangements over the current financial year in light of the new lease accounting rules in MFRS 16 applicable in the next financial year from 1 July 2019. The Group would apply 'practical expedient option' on transition to MFRS 16 on contracts previously identified as leases under MFRS117 (i.e. such as rental contracts) and those entered into on or after initial application on 1 July 2019. As such, the standard will affect primarily the accounting for the Group's operating leases on rented properties.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). See Note 2(a) on the impact of the transition to MFRS 16.

32 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(a) At Group level: (continued)

(iii) Contingent liabilities

As at the close of the current financial year, the Group is not aware of any circumstances or developments that give rise to contingent liabilities warranting disclosure.

(b) At Company level:

(i) Litigation

The Company is not involved in any on-going litigation which may give rise to material contingent liabilities; or has any material contracted but outstanding capital commitments.

(ii) Commitments

The Company does not have any outstanding issued corporate guarantee as at the end of the current financial year.

The three separate corporate guarantees outstanding as at the end of the preceding financial year issued for the benefit of the Engineering subsidiary were duly released in the current financial year. Refer to Note 17(b).

At the close of the current financial year, the Company has future aggregate minimum lease payment obligations as detailed below with regard to its non-cancellable operating leases for the rental of office space with a combined area of square feet 2019: 2,789 square feet (2018: 3,597 square feet):

	Company	
	2019 RM	**2018 RM**
No later than 1 year	107,098	140,994
Later than 1 year and no later than 5 years	44,623	213,866
	151,721	354,860

(iii) Contingent liabilities

As at the close of the current financial year, the Company is not aware of any other circumstances or developments that give rise to contingent liabilities warranting disclosure.

33 MATERIAL EVENTS DURING THE FINANCIAL YEAR

(a) Corporate Exercise - Rights issue with free warrants

The Company completed its Rights issue with free-warrant on 24 August 2018 (see Note 27 and 28), and raised RM26,778,979 ('Rights Proceeds'). Details on the utilisation of the Rights Proceeds are as follows:

Areas of Approved Utilisation	RM'000		
	Proposed Use	Actual Use	Balance to Use
(a) Subscription of Entitlement under Mycron's Rights Issue	11,094	11,094	–
(b) Repayment of MIE's borrowings and/or general working capital	14,985	14,700	–
(c) Estimated expenses in relation to the Rights Issue exercise	700	985	–
Total	26,779	26,779	–

Footnotes

a) The Company has provided an undertaking to Mycron Steel Berhad to meet the minimum subscription level to raise a minimum amount not less than RM10.8 million. The Company has in January 2019 fully subscribed for its entitlement of 40,410,044 shares together with 20,205,022 for a total outlay of RM12,123,013 where RM11,093,962 was tapped from the proceeds of the Company's own 'Rights issue with warrant'. See Notes 15(a) and 27.

b) The Company extended RM14.7 million to MIE (the Engineering subsidiary) for the repayment of its high-cost borrowings in-part.

c) The actual expenses exceeded the approved estimate by around RM285,000 and this difference was adjusted against the sum extended to MIE for its loan repayment.

(b) Disposal of Factory 1 to Steel Tube Subsidiary

The Company's contracted disposal of Factory 1 (Lot 53, Persiaran Selangor, Shah Alam) to its Steel Tube subsidiary for RM26 million was cleared of all its Conditions Precedent with the State's consent for title transfer approved on 18 July 2018. The related-party-transaction is neutral to the Group except for expenses and tax outlay relating to the transaction, and minority interests. Following the receipt of the balance 90% of the consideration sum amounting to RM23.4 million by the Company, the disposal was completed on 30 August 2018.

The Steel Tube subsidiary incepted a 10 years term loan of RM21 million (at cost-of-funds (CoF) + 2% p.a.) to partially finance the purchase, with the balance RM5 million from its internal generated funds. The CoF being a variable is stated at 3.84% currently. The facility is secured against a corporate guarantee from its immediate holding company, Mycron Steel Berhad and a first party fixed charge on the said property.

(c) Changes to Debenture

On 16 August 2018, one of the Steel Tube subsidiary's existing debenture holder extended an additional trade lines facilities of RM25 million and a foreign currency exchange contract line of RM50 million. This resulted in the existing debenture been extended to cover the said additional trade lines facilities. Correspondingly, the other two debenture holders with zero balances as at 30 June 2018 were discharged respectively on 21 August 2018 and 24 September 2018. On 21 May 2019, the same debenture holder has approved additional trade lines facilities of RM15 million which are secured against the fixed and floating assets of the Steel Tube subsidiary and corporate guarantee of the same amount from Mycron Steel Berhad ("MSB").

33 MATERIAL EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(c) Changes to Debenture (continued)

Subsequent to the close of the current financial year end, the Steel Tube subsidiary has also secured two additional trade lines facilities of RM10 million and RM15 million respectively from two local financial institutions. Both trade facilities incorporate a fixed and floating charge against the present and future assets of the said subsidiary (with the exception of its recently acquired leasehold land and building which is separately charged to the mortgage lender) and are secured against corporate guarantees from MSB.

34 FINANCIAL INSTRUMENTS BY CATEGORY

	Group			
	2019		2018	
	Amortised cost	Fair value through profit or loss	Loan and receivables	Fair value through profit or loss
	RM	RM	RM	RM
Financial assets per statement of financial position:				
Current				
Trade and other receivables (excluding prepayments, VAT claimable and GST receivables)	90,775,471	–	124,393,712	–
Derivative financial instruments	–	799,892	–	3,341,051
Deposits with licensed financial institutions	42,378,888	–	40,385,898	–
Cash and bank balances	11,309,078	–	13,040,794	–
Total financial assets	144,463,437	799,892	177,820,404	3,341,051

	Group			
	2019		2018	
	Amortised cost	Fair value through profit or loss	Other financial liabilities	Fair value through profit or loss
	RM	RM	RM	RM
Financial liabilities per statement of financial position:				
Non-current				
Trade payables	226,488	–	1,867,047	–
Borrowings	21,675,127	–	28,572,706	–
Current				
Trade and other payables	146,460,924	–	251,745,216	–
Borrowings	88,463,881	–	90,735,555	–
Derivative financial instruments	–	230,010	–	2,570
Total financial liabilities	256,826,420	230,010	372,920,524	2,570

34 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Company			
	2019		2018	
	Amortised cost	**Fair value through profit or loss**	**Loan and receivables**	**Fair value through profit or loss**
	RM	**RM**	**RM**	**RM**
Financial assets per statement of financial position:				
Current				
Trade and other receivables (excluding prepayments and GST receivables)	96,743	–	97,223	–
Derivative financial instruments	–	1,616,402	–	–
Amounts owing by subsidiaries	9,563	–	1,697,398	–
Deposits with licensed financial institutions	–	–	1,200,000	–
Cash and bank balances	2,955,391	–	452,243	–
Total financial assets	3,061,697	1,616,402	3,446,864	–

	Company			
	2019		2018	
	Amortised cost	**Fair value through profit or loss**	**Other financial liabilities**	**Fair value through profit or loss**
	RM	**RM**	**RM**	**RM**
Financial liabilities per statement of financial position:				
Current				
Trade and other payables	1,223,825	–	3,715,046	–
Amounts owing to subsidiaries	24,660	–	2,704,317	–
Total financial liabilities	1,248,485	–	6,419,363	–

Properties Owned by Melewar Industrial Group Berhad & Its Subsidiaries

No.	Address of property	Lease expiry date	Brief description and existing use	Land area (*)	Approximate age of building (years) (^)	Net book value (RM)
1	Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor	22.5.2078	Factory cum office building	196,301 sq. ft. (4.51 acres)	28	29,300,000
2	Lot 49, Jalan Utas 15/17, Seksyen 15, 40200 Shah Alam, Selangor	13.4.2072	Factory building	315,802 sq. ft. (7.25 acres)	45	40,000,000
3	Lot 10, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor	11.5.2085	Factory building	232,262 sq. ft. (5.33 acres)	34	29,400,000
4	Lot 16, Jalan Pengapit 15/19, Seksyen 15, 40200 Shah Alam, Selangor	8.4.2078	Factory building	94,098 sq. ft. (2.16 acres)	37	12,500,000
5	Lot 717, Jalan Sungai Rasau, Seksyen 16, 40200 Shah Alam, Selangor	Freehold	Factory cum office building	763,758 sq. ft. (17.53 acres)	29	109,700,000

The properties were revalued in June 2019.

* Based on surveyed land area.
^ From the date of Certificate of Fitness for Occupation.

MELEWAR INDUSTRIAL GROUP BERHAD
Reg. No.: 196901000102 (8444-W)

FORM OF PROXY
(please refer to the notes below)

No. of ordinary shares held

I/We ....NRIC No./Co. No./CDS No. : ....
(Full Name in block letters)

of ....
(Full address)

....
being a member/members of **MELEWAR INDUSTRIAL GROUP BERHAD** hereby appoint *Chairman of the meeting or

.... of .... or failing him/her
(Name of proxy, NRIC No.) (Full Address)

.... of ....as *my/our proxy
(Name of proxy, NRIC No.) (Full Address)

to vote for *me/us and on *my/our behalf at the **50th Annual General Meeting** ("AGM") of the Company to be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Friday, 29 November 2019** at **11.30 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of the 50th AGM. My/our proxy is to vote as indicated below:-

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
Resolution	**Ordinary Business**				
1	To approve the payment of Directors' fees amounting to RM320,400.00 for the period from 1 January 2020 to 31 December 2020 to be payable quarterly in arrears to the Non-Executive Directors of the Company.				
2	To approve an amount of up to RM115,000.00 as benefits payable to the Non-Executive Directors of the Company for the period from 1 December 2019 until the conclusion of the next AGM of the Company.				
	To re-elect the following Director of the Company who is retiring in accordance with Article 113(1) of the Company's Articles of Association:-				
3	(i) Azlan bin Abdullah				
	To re-elect the following Directors of the Company who are retiring in accordance with Article 120 of the Company's Articles of Association:-				
4	(i) Datin Seri Raihanah Begum binti Abdul Rahman				
5	(ii) Kwo Shih Kang				
6	(iii) Dato' Dr. Kili Ghandhi Raj A/L K R Somasundram				
7	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.				
	Special Business				
8	Approval for En Shazal Yusuf bin Mohamed Zain to continue in office as an Independent Non-Executive Director.				
9	To approve the Proposed Renewal of Share Buy-Back Authority.				
10	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.				
11	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.				
	Special Resolution				
1	To approve the Proposed Adoption of new Constitution of the Company.				

(Please indicate with a "✓" or "X" in the spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy/ies will vote or abstain at his/her discretion).

The proportion of my holdings to be represented by my *proxy/proxies are as follows:

	Number of Shares	Percentage
First proxy		%
Second proxy		%
Total		**100**%

Dated this .... day of 2019

....
Signature of Shareholder(s) / Common Seal

NOTES:-

1. *Applicable to shares held through a nominee account.*
2. *A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint more than one (1) proxy to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.*
4. *Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 11.05, 11th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Any alteration in the form of proxy must be initialled.*
8. *Form of Proxy sent through facsimile transmission shall not be accepted.*
9. *For the purpose of determining a member who shall be entitled to attend this 50th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 25 November 2019. Only a depositor whose name appears on the Record of Depositors as at 25 November 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*
10. *Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 50th AGM will be put to vote by a poll.*

* *Please strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit).*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Secretary
MELEWAR INDUSTRIAL GROUP BERHAD
Suite 11.05, 11th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur

1st fold here

NOTICE
There will be no distribution of door gifts.

MELEWAR INDUSTRIAL GROUP BERHAD Reg. No.: 196901000102 (8444-W)

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